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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5743

AN ACT MAKING APPROPRIATIONS FOR AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

PART 1 (Pages 1-855)

DEPARTMENT OF AGRICULTURE

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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 1, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:48 p.m. in room SD-192, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran, Andrews, Abdnor, Kasten, Specter, Eagleton, Stennis, Byrd, and Burdick.

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE

STATEMENT OF HON. JOHN R. BLOCK, SECRETARY OF AGRICULTURE

ACCOMPANIED BY:
WILLIAM LESHER, ASSISTANT SECRETARY FOR ECONOMICS
STEPHEN DEWHURST, DIRECTOR, BUDGET AND PROGRAM ANALYSIS

OPENING REMARKS

Senator COCHRAN. The subcommittee will come to order.

Today, we are beginning hearings on the portion of the President's fiscal year 1985 budget which requests funding for programs under the jurisdiction of the Subcommittee on Agriculture, Rural Development, and Related Agencies.

Agriculture is the Nation's No. 1 industry. It has capital assets equal to 88 percent of the combined capital assets of all manufacturing corporations in the United States. Agriculture alone employs more than the combined payrolls of the transportation, steel, and automotive industries. Agriculture is the livelihood of about 19 million people who store, transport, process, and merchandise the output of America's 4 million farmers, foresters, and ranchers. Assets of the agricultural industry exceed $1 trillion, and it employs 23 million people, which is 22 percent of America's labor force.

For the next several weeks, this subcommittee will be hearing from officials of the U.S. Department of Agriculture and its numerous agencies, from the Food and Drug Administration, and from the Commodity Futures Trading Commission. We will also hear from members of Congress and the private sector. The subcommittee relies very heavily on the testimony of all these sources.

It will then be our responsibility to determine the proper level of Federal funding for the many programs that come under this subcommittee's jurisdiction—programs such as farm income and support, agricultural research and extension, conservation, nutrition, rural development, and various inspection services.

Last year was a very difficult and challenging year for the appropriations process, and it is quite clear that this year is going to be equally as challenging as we attempt to balance the important needs represented in the programs under our jurisdiction with the need to bring Federal spending under better control.

The administration is requesting approval of some substantial reductions in the budget of this department. For example, the export credit program would decline by $1 billion; conservation programs would be decreased by $222 million; small community and rural development programs will decrease $5.1 billion—including cuts in rural housing programs of $1 billion and rural electrification of $2.5 billion.

However, I was pleased to note that a net increase has been requested in the agricultural research and cooperative state research programs, and that continued emphasis is being placed on the importance of exports to the agricultural economy. This subcommittee intends to weigh all of these requests very carefully.

I am also very pleased to begin another season of hearings with our ranking minority member, Senator Tom Eagleton, and I am looking forward to again having the benefit of his wise counsel and advice as we address the very important and difficult issues facing American agriculture.

We are glad to have as our first witness, for this series of hearings that will extend throughout the month of March and into April, the Secretary of Agriculture, John R. Block, who has been providing very strong leadership to the Department. I consider it an honor and a pleasure to have worked closely with him, both on this subcommittee and on the legislative Committee on Agriculture, for the past few years.

Welcome to the subcommittee, Mr. Secretary. We are happy to have you here.

At this time, I am going to yield to the distinguished Senator from Missouri, Senator Eagleton, who is the ranking minority member of the committee, for any remarks or comments that he would like to make at this time. Senator Eagleton.

Senator EAGLETON. Thank you very much, Mr. Chairman. I have no opening statement, but I do have some questions when my turn comes.

Senator COCHRAN. Senator Andrews.

Senator ANDREWS. Thank you, Mr. Chairman. I will wait until we get around to questioning the witness.

Senator COCHRAN. Senator Stennis, do you have any opening comments or statements?

Senator **Stennis**. I believe not, except that I am glad to be here.

Senator **Cochran**. Mr. Secretary, you may proceed with any opening statement that you have. We welcome you to the subcommittee.

PREPARED STATEMENT

Secretary **Block**. Thank you very much, Mr. Chairman. I am delighted to have the opportunity to meet with the committee here today.

If it is all right, I will submit my full statement for the record and then go through a much abbreviated statement for the utilization of the committee here this afternoon.

Senator **Cochran**. We appreciate that and your full statement will appear in the record in full.

Secretary **Block**. Thank you.

[The statement follows:]

STATEMENT OF JOHN R. BLOCK

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the programs of the U.S. Department of Agriculture and our fiscal year 1985 budget proposals.

The past year has marked a turning point for our nation and its people, including the agriculture sector. The economic recovery has taken hold, as evidenced by growth in the gross national product of 7.7 percent during calendar year 1983. After adjustment for inflation, real growth in 1983 was 3.3 percent. We expect continued growth during 1984.

Unemployment has fallen dramatically during the past year, and we have experienced a very low rate of inflation during 1983 — about 4 percent as measured by the GNP deflator and about 3 percent as measured by the Consumer Price Index. During 1984 and 1985, we expect unemployment to fall farther, and the inflation rate is not expected to exceed 5 percent.

Current Agricultural Situation

The U.S. agricultural sector has benefited from the recovery in many ways. The recovery has generated increased demand for agricultural products domestically. Low inflation kept farm production costs down in 1983 and we expect production cost increases to be limited this year as well. Although recovery in the rest of the world typically lags recovery in the U.S., there are encouraging signs abroad. For the first time in three years, the value of U.S. agricultural exports should increase during fiscal year 1984 -- to $37.5 billion from last year's $34.8 billion, or by nearly 8 percent. However, volume will again decrease slightly, to about 140 million metric tons.

We are very pleased with the new long-term supply agreement that was negotiated with the Soviet Union last year. We are confident that the new agreement will lead to increased exports over the fiscal years 1984-88, and that it will enhance our reputation as a reliable supplier. We are also continuing our efforts to meet competition in world markets through an aggressive export sales policy and to enlarge markets by reducing trade barriers, expanding sales promotion efforts, and providing necessary credit to importing countries.

On the domestic side, the Payment-in-Kind (PIK) program has been one of the most successful programs administered by the Department in recent years. Faced with burdensome surpluses, we had little choice but to institute a drastic and innovative program. Stocks of feed grains and cotton were substantially reduced, and prices for feed grains and soybeans are forecast to be 20 to 40 percent above last year's prices. Stocks of wheat, although expected to be only slightly below last year's stocks, are well below the level that would have been reached without a PIK program.

Of course, the PIK program cannot be given credit for the entire stock reduction. Many sections of the country suffered from extreme drought during the 1983 growing season. For many producers in drought areas, PIK payments prevented disaster by substituting for crops that would otherwise have been destroyed. At the same time, domestic and foreign consumers were assured of receiving steady supplies.

Finally, PIK accomplished its goals by using crops under loan and in Commodity Credit Corporation (CCC) inventory, for most of which payments had already been made. Accordingly, additional outlays for PIK in fiscal year 1983 were minimized, and outlays for loans and deficiency payments in fiscal year 1984 will be reduced by an estimated $1.9 billion as a result of PIK. For fiscal year 1985, both PIK and the 1983 drought will contribute to outlay savings, but it is difficult to distinguish between them.

The economic recovery, together with the PIK program, has led to higher net farm income. Net farm income, which was $22.1 billion in calendar year 1982, rose to an estimated $22-$24 billion in calendar year 1983. In 1984, net farm income may climb to $29-$34 billion.

The farm economy is now emerging from the gloom and doom that we felt a year ago last fall, before PIK was announced. We have turned the corner and are ready to face new challenges. In order to meet the challenges of the future, there needs to be greater flexibility in controlling price support levels and farm program costs.

The budget we are submitting does not include our legislative proposals for a new farm bill. We feel that before we can recommend an approach to a new farm bill, it is necessary to conduct a comprehensive review and assessment of current food and agriculture problems. On January 5, the President assigned this task to the Cabinet Council on Food and Agriculture, which I chair. I, in turn, have established a working group on Future Food and Agriculture policy, which will be chaired by Deputy Secretary Lyng. The working group's mandate is three-fold: to review and assess current food and farm programs; to initiate a dialogue on the future course of food and agriculture policy with interested parties inside and outside of government; and to prepare a list of food and agriculture policy options. We hope that you will participate with us in this endeavor.

Farm Credit Situation

Along with the improvement in net farm income, there has been an improvement in the farm credit situation. Private lenders are showing greater interest in making farm loans and farmers are better able to qualify for such credit at rates and terms at least comparable to those in other sectors of the economy. The Department of Agriculture, the Farm Credit System and the commercial lending community are all working to ensure that farmers receive as much credit as they can use to their advantage and in a responsible way.

However, there are uncertainties as to how much credit will be needed. Farm debt declined during 1983 to $215 billion. This decline, the first since 1945, was partly due to lower production expenses resulting from the PIK program. It may also reflect greater caution on the part of farmers in their use of credit.

During the 1970's, the combination of low interest rates and high levels of appreciation in land values encouraged excessive borrowing. Farming operations were enlarged by using credit to leverage investments in farmland; some unprofitable operations were sustained by borrowing against equities. Sometimes there was a lack of proper regard for inadequacies in the cash flow of operations financed in this manner.

Now, interest rates, although down significantly from the record high levels of two years ago, are still higher than in the 1970's and are likely to remain so. Slower and more selective increases in land values make borrowing more risky and place greater importance on an adequate cash flow. Farmers must adjust to these trends.

Those farmers who did not participate in PIK, and who sustained drought losses that they chose not to insure through the Federal Crop Insurance program, face the greatest difficulty. Some may need to borrow to stay in business while, at the same time, they lack the cash to pay off existing debts.

USDA's Farmers Home Administration (FmHA) will continue to make every possible effort to stay with its existing borrowers who face financial difficulties through no fault of their own. FmHA will also continue to provide needed special assistance to borrowers under financial stress through the use of subordination, rescheduling, reamortization, and other available authorities. Nearly one out of every four FmHA borrowers received such special assistance last year.

FmHA's delinquency rates remain high. However, the number of FmHA borrowers who left farming in 1983 due to financial stress was less than in 1982, and represents less than 3 percent of the total number of FmHA farm borrowers.

With these thoughts about the state of agriculture and farm credit situation in mind, I will now turn to our budget proposals for fiscal year 1985.

Fiscal 1985 Budget Proposals

The USDA program budget, representing the total value of all of the goods and services provided by the Department, which reached $71.9 billion in fiscal year 1983, is now projected at $62.4 billion for fiscal year 1984, and $56.4 billion in 1985. Outlays, which totalled $46.4 billion in 1983, are estimated at $34.8 billion in 1984 and $37.7 billion in 1985. The 1985 increase is largely the result of an anticipated increase in outlays for farm price support activities because we expect a return to more normal production patterns for the 1984 crops. Our appropriation request for fiscal year 1985 is $31.6 billion compared to $32.7 billion in fiscal year 1984.

Export Market Development

Further expansion of U.S. agricultural commodity exports continues to be a top priority of this Administration. With the world economy on the road to recovery, we believe that the export credit guarantee program should remain at a high level at least through the current fiscal year. For fiscal year 1985, we are planning a $3.0 billion program — a more normal level of export guarantees. Flexibility exists to adjust the credit guarantee level to meet changes in economic or competitive conditions. We also plan to continue to operate a blended credit program in fiscal years 1984 and 1985.

We are proposing an increase of $6 million in the market development and foreign agricultural affairs programs of the Foreign Agricultural Service (FAS). These FAS functions are critical to the successful development of new trade opportunities that will result from the world economic recovery. We plan to continue to emphasize the country/commodity combinations that show the most potential for the biggest pay-off in long-term growth in our agricultural exports.

The proposed increases will also enable us to further pursue trade access issues, particularly with the European Community (EC). You are undoubtedly aware that the EC's budget has come under enormous strain, primarily due to their system of encouraging noneconomic production, restricting imports and subsidizing exports. Rather than making the necessary internal readjustments, some parties have proposed the institution of new trade barriers, which would have the effect of destroying important U.S. markets. We are determined to prevent this from happening.

Another important aspect of our overall export effort is the P.L. 480 program. For fiscal year 1984, we are seeking a supplemental of $90 million to fund urgent needs in Africa, bringing the Title II program level to $740 million. The P.L. 480 request for fiscal year 1985 is a program level of $1.635 billion, or $23 million more than the proposed fiscal year 1984 level. We are seeking an increase of $113 million in the Title I/III concessional sales program, which has been very successful in the long-term development of commercial markets. The Title II program would be at $650 million, an amount sufficient to ship the statutory minimum 1.7 million metric tons, grain equivalent.

Commodity Credit Corporation (CCC)

CCC outlays in fiscal years 1984 and 1985 are expected to be well below the record $18.9 billion of fiscal year 1983, primarily due to the PIK program and the drought. Fiscal year 1984 outlays are projected at only $6.8 billion, and fiscal year 1985 outlays, at $10.8 billion. These outlay estimates are tentative, of course, and will fluctuate due to economic and weather conditions here and abroad. Our fiscal year 1985 appropriation request of $8.7 billion will complete the restoration of anticipated fiscal year 1984 losses.

We have two legislative proposals that affect the CCC. We will continue to seek authority to freeze target prices. It makes no sense to continue to escalate target prices and encourage greater production on the heels of the largest acreage reduction program in U.S. history. Holding 1985-crop target prices to the 1984 levels will save an estimated $1.9 billion in fiscal year 1986. We will also continue to request legislation that will make the honey price support program discretionary. Honey price support levels have become so high that U.S. production is moving into CCC stocks while U.S. honey users are buying cheaper imported honey.

Credit Programs

Reductions in federal credit programs are necessary to reduce Government spending and Treasury borrowing, and to encourage increased private investment and future productivity. Accordingly, USDA's overall level of credit activities will be reduced in fiscal year 1985. However, the reductions for fiscal year 1985 will vary among programs, and some programs will be increased.

For the CCC, Farmers Home and REA credit programs, we expect to reduce the overall level of new loans made or guaranteed from about $25 billion in fiscal year 1984 to slightly more than $18 billion in fiscal year 1985. Despite the reduction in program level, the total value of loans outstanding will increase from $130 billion at the end of fiscal year 1984 to over $138 billion at the end of fiscal year 1985. Clearly, the Department of Agriculture will continue to be a significant supplier of credit for rural America.

Farmers Home Administration

Farm Programs. FmHA's regular farm operating and farm ownership loan programs remain the mainstay of the agency's role as lender of last resort. We are proposing to increase the farm operating loan program substantially for the fourth year in a row. The increase in fiscal year 1985 of $160 million provides a farm operating loan level of $2.07 billion, more than twice the operating loan level of four years ago. The farm ownership loan level will be reduced by $25 million to $650 million. Several smaller farm loan programs will be terminated in order to provide improved servicing of the farm ownership and operating loan programs.

Our estimate for the emergency disaster loan program in fiscal year 1985 is $870 million, down from $2 billion in fiscal year 1984. This reduction reflects the combined impact of legislation approved in 1980 which requires that the loans be made only for actual losses and not for annual operating expenses, and an expected reduction from the high level of fiscal year 1984 disaster loans which resulted from 1983 crop drought losses.

No funds are requested for the economic emergency loan program. Authorization of this program has expired. During 1984, however, $600 million will remain available in accordance with a recent court ruling requiring that the program be reopened in fiscal year 1984.

Rural Housing. We are proposing reductions of about $1 billion in FmHA's rural housing loan and grant programs. The 1983 reauthorization made various changes in these programs to ensure that the housing needs of the lowest income families would have priority. Implementation of these changes will enhance FmHA's capacity to serve families with the greatest need. Some of the new provisions are reflected in the fiscal year 1985 budget. Others will take longer to implement.

Community Development. FmHA's community development programs are proposed at the same levels recommended in last year's budget: $250 million and $90 million for the water and waste disposal loan and grant programs, respectively, and $100 million for the community facility loan program. We are making a minor change in the program regulations to ensure that more low income communities that require low interest loans can qualify for them. The majority of available grant assistance will also be directed toward low income communities. All assistance will be limited to projects that are essential to the health and safety of rural residents, with preference given to the smaller communities.

No funding is requested for the business and industrial loan program. The improving business environment and significantly reduced interest rates make it possible to terminate this program without impairing rural development initiatives.

Crop Insurance

It is becoming increasingly clear that the various agricultural disaster programs, particularly those which involve credit, have not successfully solved the financial stress experienced by producers when a major natural disaster occurs. The long-term solution to this problem is not through increased or additional lending programs, but through the continued improvement of a sound crop insurance program through which producers can reduce risk of crop losses as a part of farm management.

We will therefore continue to expand the availability of risk protection provided to farmers through the federal crop insurance program. In crop year 1984 insurance will be available for all acreage in crops previously covered by disaster payments and the individual yield coverage plan will be given greater emphasis. Coverage will be extended to 34 commodities in 3,000 agricultural counties in 49 states. We expect producers' participation to improve considerably — from about 15 percent in crop year 1983 to 20 percent in crop year 1984, and to 24 percent in crop year 1985.

For fiscal year 1985, we are requesting $227 million for administrative and operating expenses, an increase of $27 million over fiscal year 1984, and $141 million for premium subsidies, an increase of $56 million over fiscal year 1984.

The drought of 1983 is creating a large cash drain on the Federal Crop Insurance Corporation revolving fund. Therefore, the Corporation is requesting a supplemental in fiscal year 1984 for emergency Treasury borrowing, which is needed to replenish the revolving fund. Current projections indicate that without the supplemental, cash flow problems could slow the payment of indemnities this spring.

Rural Electric and Telephone

Reductions are proposed for the utility programs administered by the Rural Electrification Administration (REA). A significantly reduced demand for new power supply projects makes it possible to reduce loan guarantees for such projects from $3.2 billion in fiscal year 1984 to $1.2 billion in fiscal year 1985.

We are again proposing that the direct electric loan program be reduced from $850 million to $500 million; and the direct telephone loan program be reduced from $250 million to $75 million. These reductions are based on our belief that the majority of these borrowers can obtain increased proportions of their capital from commercial sources without imposing significantly higher costs on their customers. Many REA borrowers are as financially stable as their private sector counterparts. We believe that they should obtain more financing from the private sector, leaving available REA assistance to those borrowers serving sparsely populated areas or facing other financial hardships.

We are also proposing legislation to provide for the long-term self-sufficiency of the Rural Electrification and Telephone Revolving Fund. The interest rate on insured electric and telephone loans would be based on the cost of Treasury borrowing; the supplemental financing criteria would be based on the borrowers' financial capabilities; the eligibility for Rural Telephone Bank loans would be expanded to all telephone borrowers; and REA programs would be brought on budget.

Soil and Water Conservation Programs

The budget proposes $725 million for the Department's soil and water conservation programs. Funding for technical assistance, soil surveys, research and analysis will be continued at about the fiscal year 1984 level. Funding for watershed construction and financial assistance is reduced by $244 million, about 50 percent.

Technical assistance in geographic areas where soil erosion problems are the most serious will be maintained, and in some areas increased. We will soon be publishing information on the location of serious erosion problems, based on survey data gathered in 1982 and 1983. Based on our analysis to date, it appears that the rate of erosion has not changed since 1977. We are experiencing nearly one billion tons of excess soil erosion per year. Most of this excessive erosion came from only a small part of our cropland — less than 25 percent. This is the reason we believe targeting is so important.

Other programs — the Agricultural Conservation Program (ACP), watershed construction, and the Resources Conservation and Development Program — are slated for reductions. These are programs under which the Federal Government provides financial assistance to individuals and local units of government for a variety of soil and water programs, often at high Federal cost-share rates. We believe that individuals and local governments should bear more of the responsibility for financing such things as on-farm conservation practices, small flood control structures, and community recreation facilities.

The Administration continues to seek separate funding for the Colorado River Salinity Program. A $12.6 million request would be used for cost-sharing, technical assistance and education to make improvements in irrigation systems and thereby reduce salt loading in the Colorado River System. The improvements in water quality benefit downstream water users in the U.S. and Mexico.

Also, we are offering, on a pilot basis, funding for conversion to permanent grass or tree cover to producers who sign up for the 1984 commodity programs. The land will continue to be counted as base acreage history for purposes of the commodity programs. A portion of fiscal year 1984 Agricultural Conservation

Program funds, $20 million, is available for cost-sharing the establishment of the vegetative cover. Producers' response to this pilot program will be helpful in developing recommendations for future programs.

Research and Extension

Support for research and education activities continues to be a major goal of the Administration. Increases are proposed in the traditional research and extension formula programs and for a major new biotechnology initiative utilizing competitive grants. We are also requesting increases for the Agriculture Research Service (ARS) and the National Agricultural Library (NAL).

A major new biotechnology initiative of $28.5 million is proposed for the Cooperative State Research Service (CSRS) competitive research grants program to encourage all qualified scientists to study agricultural applications of new technologies, such as genetic engineering, so that the most basic plant and animal life processes can be better understood. Scientists outside of agriculture are already making amazing discoveries in bacteria and laboratory animals. Bacteria have been made to produce a completely safe vaccine for one strain of the devastating foot and mouth disease virus. We are not as close to such breakthroughs in commercially important plants and animals. USDA must establish strong leadership in agricultural biotechnology to ensure that the research benefits from our current knowledge and addresses real farm problems.

An additional $4.5 million is proposed for competitive research grants for animal science research. We continue to oppose funding for the animal health and disease formula because funding levels have not been adequate to support in-depth programs at many of the 79 eligible institutions. Special research grants are also proposed for reductions since attention has been focused on these areas and targeted research has already been funded for one or more years. State institutions may continue to fund these activities using other available funds.

For the ARS, we are proposing an increase of $14.1 million for key research initiatives. While this is a small percentage increase, I am convinced that our excellent ARS management team can address urgent current needs. We have seen a remarkable effort to reduce administrative overhead and manage limited resources efficiently in this agency. We appreciate your support for this effort. The existing ARS higher education programs will be discontinued. A new $2.0 million program specifically for the historically black 1890 Colleges and Universities, Tuskegee Institute and the University of the District of Columbia will strengthen food and agricultural teaching programs at these institutions. Additional funding for higher education will come from the enhanced competitive grants program in CSRS. In fact, it is expected that up to 25 percent of the competitive research grants will be used for direct support of graduate and postdoctoral research assistants.

For the Extension Service, we are recommending an increase for the Smith-Lever and 1890 formula programs. Reductions are proposed in the earmarked programs. These earmarked funds have served the purpose of encouraging states to focus attention on and develop appropriate programs.

We are requesting a $1.3 million increase for the NAL. This is the second year of our effort to upgrade this facility as a national resource. Services, collections and coordination with other libraries will be improved.

Marketing and Inspection Programs

In November 1983, a major outbreak of highly pathogenic avian influenza occurred in several counties in Pennsylvania. While the disease is still limited primarily to Pennsylvania, smaller outbreaks were discovered in New Jersey, Maryland, and Virginia. Because this disease was threatening the entire poultry industry, I declared an extraordinary emergency and made Federal funds and personnel available. So far, $61.7 million of CCC funds has been made available for avian influenza eradication. The Animal and Plant Health Inspection Service is responsible for carrying out the program and for coordinating this effort with the affected States and the industry. We are confident that the most serious of the outbreaks have been dealt with successfully and expect that complete eradication will be accomplished in the near future.

For fiscal year 1985, the brucellosis program will continue at about the same level as in fiscal year 1984. However, we are proposing to institute a checkoff system whereby producers would assume a larger role in the program's financing. Collected fees would be used to pay for indemnities and other administrative costs and would save the Department nearly $26 million in fiscal year 1985. We will be working closely with the Congress and industry to develop a mutually acceptable system.

A reduction of $12.3 million is being proposed for the screwworm program in fiscal year 1985. As we have regularly informed the Congress, the objective of this joint U.S./Mexican program has been to establish a quarantine barrier in southern Mexico at the Isthmus of Tehuantepec to prevent movement of the pest back into the U.S. Since we expect to complete this barrier by the end of 1984, the Department's future funding needs will be substantially reduced.

We are also proposing to reduce the Federal Government's involvement in several pest and disease control programs where the pests are either localized, the states have the capability of conducting the programs, or technology is not currently available to prevent the spread of the pest. Programs in this category include gypsy moth, witchweed and imported fire ant. In addition, the budget proposes new legislation to authorize the Department to charge user fees for inspecting plants and plant products before export, for issuing health certificates for export animals, and for certain costs associated with quarantining animals being imported into the U.S. These user fees will provide annual savings of $3.6 million.

For the Food Safety and Inspection Service we are taking steps to further ensure that our nation's food supply is wholesome and unadulterated, and that consumer confidence remains high. Additional funds are being requested to enhance industry compliance and strengthen the integrity of the inspection program. We will increase the number of Federal slaughter inspectors, supplement our work in detecting and preventing residue contamination of meat, and increase our review of foreign inspection systems to deter unwholesome meat from entering the U.S. Even with these increases, the number of Federal employees working in the meat and poultry inspection system will only have increased a little more than 2 percent during the last four years. We are also requesting funds to offset rising costs in state meat and poultry inspection programs.

As part of our overall effort to assure a wholesome food supply we intend to more intensively regulate those meat plants that chronically fail to meet standards and regulation requirements, submit legislation which would expand authority for withdrawal of inspection, and have the National Academy of Sciences conduct an independent and thorough review of existing and proposed inspection methods. We are also resubmitting legislation that would allow us to use our processing inspection personnel more efficiently.

During the first three years of this Administration, we have been highly successful in shifting the funding of our marketing programs from the taxpayer to those benefitting from the service. For example, the Federal Grain Inspection Service's appropriation has fallen from $24 million to less than $7 million. User fees, which paid for 58 percent of grain inspection services in fiscal year 1981, will pay for 84 percent of the fiscal year 1985 services. Similarly, 80 percent or $119 million, of the Agricultural Marketing Service's fiscal year 1985 funds will be financed through user fees, compared to only about 50 percent four years earlier.

Domestic Feeding Programs

Before discussing our proposals for the domestic food assistance programs, I want to emphasize the Department's continuing concern that food assistance be provided to needy Americans. Although it is often implied that the food programs have been cut back under this Administration, quite the opposite is true. In fact, during fiscal year 1983 the federal food programs cost over $19 billion, a 38 percent increase over the fiscal year 1980 level. Furthermore, the programs are better targeted — over 90 percent of food stamp households have incomes below the poverty line and the majority of school lunch funds are going to low-income students. Also, President Reagan initiated in December 1981 and is continuing the distribution of excess commodities from the CCC inventories. Over $1.4 billion of CCC commodities were distributed in fiscal year 1983. We are now reviewing and evaluating the recommendations of the Task Force on Food Assistance in an effort to further improve these programs.

I am aware of this Committee's long-term interest in fighting fraud. With this in mind, I would also like to note that a number of things have been done to improve program integrity. For example, food stamp participant fraud investigations and prosecutions have increased; an information exchange activity known as "Operation Awareness" has allowed states to share successful fraud prevention techniques; computerized matching of income information is being used; and, in the school lunch program, schools are now required to verify income reported on a sample number of applications.

Food Stamp Program. For fiscal year 1984 we are requesting a $308 million supplemental for the Food Stamp Program to allow for full payments to all eligible recipients for the full fiscal year. This will increase the fiscal year 1984 funding level to $11.3 billion.

For fiscal year 1985, the Administration is requesting a Food Stamp Program funding level of $10.8 billion. The fiscal year 1985 request is below the fiscal year 1984 level because lower unemployment is expected to reduce program participation, and because the Administration is proposing three legislative changes expected to improve program administration and achieve savings. Our proposals include a provision to simplify eligibility determination by considering households in the Aid to Families with Dependent Children (AFDC) program automatically eligible for the Food Stamp Program. We are also proposing that all states institute a community work experience program which requires most able-bodied food stamp recipients to perform public service work equal to the value of the food stamp allotment. The community work experience program would compliment past Administration efforts to target assistance on the neediest individuals and assure that able-bodied recipients are encouraged to find work in the private sector, or to perform useful public services when no private job is available.

Our final food stamp proposal concerns the program's unacceptably high error rates. We have begun to see progress in addressing this problem. Our latest data is still tentative, but I am particularly pleased to inform the Committee that it shows the Food Stamp Program overpayment error rate for the six months preceding April 1983 fell well below nine percent for the first time in the program's history. While that improvement is excellent news, we remain dissatisfied with the fact that approximately $900 million dollars are being misspent in the Food Stamp Program each year.

Therefore, we are proposing that states bear fiscal responsibility for a portion of the errors they make in administering the Food Stamp Program. States would be held liable for the cost of the overpayments above the three percent level. As a result, states should give Food Stamp Program management the priority it deserves.

Child Nutrition Programs. For fiscal year 1984, the Department is requesting a supplemental of $545.5 million for the Child Nutrition Programs (CNP), bringing total funding to $3.6 billion. Unexpected program growth has made the initial $3 billion appropriation sufficient only until mid-May. The Administration urges Congress to act expeditiously on this request.

The budget request for the CNP in fiscal year 1985 is $3.7 billion, $116.8 million more than the estimated fiscal year 1984 funding level. We anticipate increased program participation in all categories of meals. We are submitting several minor legislative proposals for the school programs which will not alter the basic program structure.

For the nonschool programs, the Administration is proposing a Non-School Food Program Grant which would consolidate funding for the Child Care Food Program and the Summer Food Service Program at the fiscal year 1985 current services level. This proposed grant would eliminate the many detailed specifications, regulations, and policies now governing these programs and would maximize state flexibility in designing and operating their own nutrition programs outside a school setting. States could continue programs similar to those the grant would replace or establish new programs more appropriate to the nutritional needs of their population.

Congress appropriated funds to operate the Women, Infants, Children (WIC) program through July 10, 1984. The Administration is requesting a supplemental of $167.0 million to continue the WIC program for the rest of fiscal year 1984. In fiscal year 1985, the Administration is requesting a program level of $1.25 billion for the WIC program, a small reduction from the fiscal year 1984 program level of $1.27 billion. The budget proposes a program level of $36.1 million for the Commodity Supplemental Food Program in fiscal year 1985. This is an increase of $0.5 million over the fiscal year 1984 program level.

The Special Milk Program and the Food Donations Program will be carried out at $70.4 million, about the fiscal year 1984 program levels.

Other Domestic Food Assistance Activities. We are again proposing to transfer the Nutrition Program for the Elderly to the Department of Health and Human Services (DHHS). The program originated as a commodity outlet; however, the legislation was revised in 1977 to allow the delivery of cash in lieu of commodities. Now, over 90 percent of the program is on a cash basis. The Department has virtually no authority or control over the operations of the program, and it is extremely difficult to resolve reporting discrepancies and other administrative problems. The transfer of this program to DHHS would allow the Federal Government to provide more effective program management and would enable the states to deal with a single federal agency.

We are continuing to provide additional support to many of the food assistance programs in the form of donated commodities. The donated commodities are those acquired either through our surplus removal efforts (Section 32) or through the price support operations of the CCC. The commodities are given to schools, charitable institutions, soup kitchens or food banks. The Department's budget request for fiscal year 1985 includes $50 million to assist states with storage and distribution costs related to the donated commodities.

I would like to make a final point concerning domestic food assistance in general. One of the main recommendations of the Task Force on Food Assistance was that the Government take steps to improve information collection on the nutritional status of Americans. Since 1981, USDA and DHHS have been working on the implementation of a National Nutrition Monitoring System. The fiscal year 1985 budget request for the Human Nutrition Information Service includes increased funds to expand USDA's part in the National Nutrition Monitoring System. I believe this expansion is absolutely necessary, given the importance of this issue.

Economics & Statistics

The Department continues to place high priority on maintaining the integrity and coverage of agricultural statistics and economic analysis programs. Timely and accurate statistics and economic analysis are critical to the effective management of many Departmental programs and to informed decision-making by both the Administration and the Congress. Farmers and other users also rely on accurate data and analysis in managing their operations.

Two small but important initiatives are included for fiscal year 1985. The first involves expanded research and analysis concerning the effects that monetary and fiscal policies, interest rates, GNP, and unemployment, and other macroeconomic variables have on agriculture. The second would strengthen our ongoing efforts to improve the reliability of agricultural statistics.

Mr. Chairman, this concludes my formal statement. I appreciate the opportunity to present the Department's fiscal year 1985 proposals to the Committee and look forward to working with you.

I will be happy to address any specific concerns that you have.

CURRENT AGRICULTURAL SITUATION

Secretary BLOCK. Mr. Chairman, 1983 was the beginning of a major turnaround for agriculture, just as it was for the rest of the U.S. economy. The economic recovery has generated increased demand for products domestically, while low inflation has kept farm production costs down. Although the rest of the world is just now beginning to recover economically, we find many encouraging signs. For the first time in 3 years, we expect the value of exports to be up in fiscal year 1984.

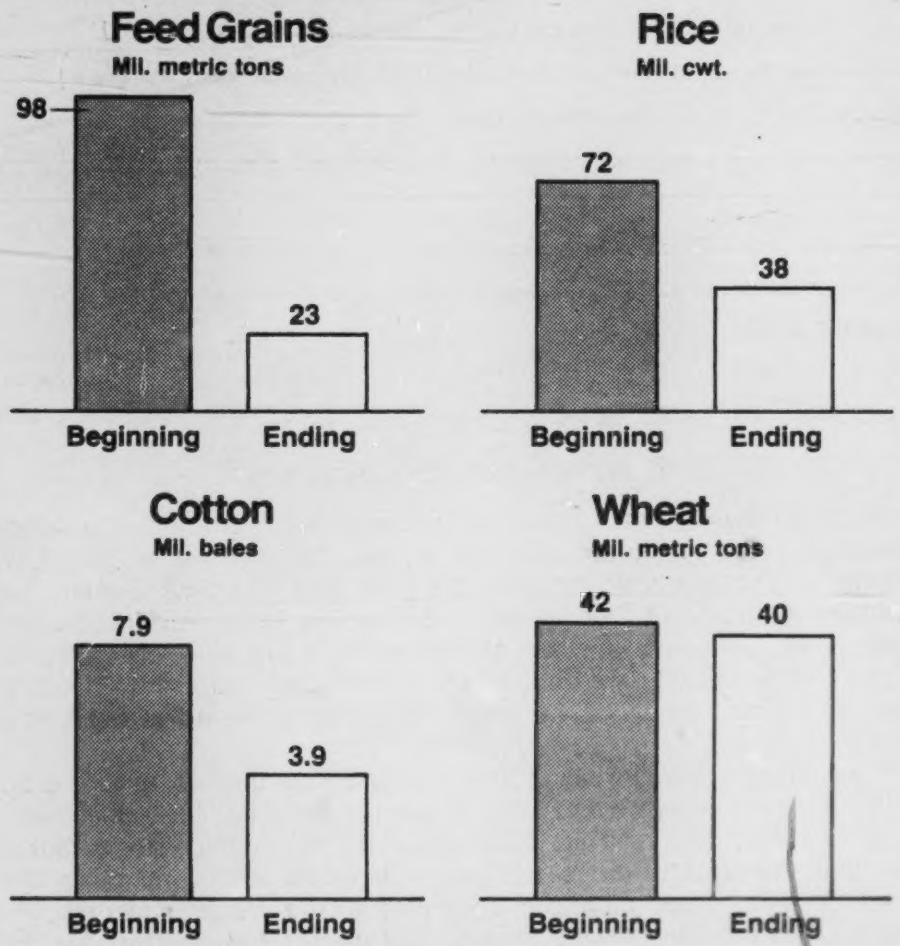
I would also like to say a few words about the payment-in-kind (PIK) program, which helped reduce the burdensome stocks that overhung markets just 1 year ago. Not only did it help reduce stocks, but it also took the place of crops that otherwise would have withered in last year's drought. Thus, producers continued to make sales and domestic and foreign consumers were assured of steady supplies. This was accomplished while saving Federal budget outlays.

I would like to display a chart very briefly which shows the reduction in stocks of the basic crops as a result of a successful PIK program and also as a consequence of the drought.

[The chart follows:]

Beginning and Ending Stock Levels for the 1983 Marketing Year

(December 1983 estimates)



The feed grains stock declined dramatically; rice and cotton also declined. Wheat is the one commodity that did not come down as much, mostly because we had one fantastic production last year.

FARM CREDIT SITUATION

Along with the improvements in the farm economic situation, there has been an improvement in the farm credit situation. The USDA, the farm credit system, and the commercial lending community are all working together to insure that adequate credit is available where it can be used responsibly. The Farmers Home Administration will continue to make every possible effort to stay with its existing borrowers who face financial difficulties through no fault of their own.

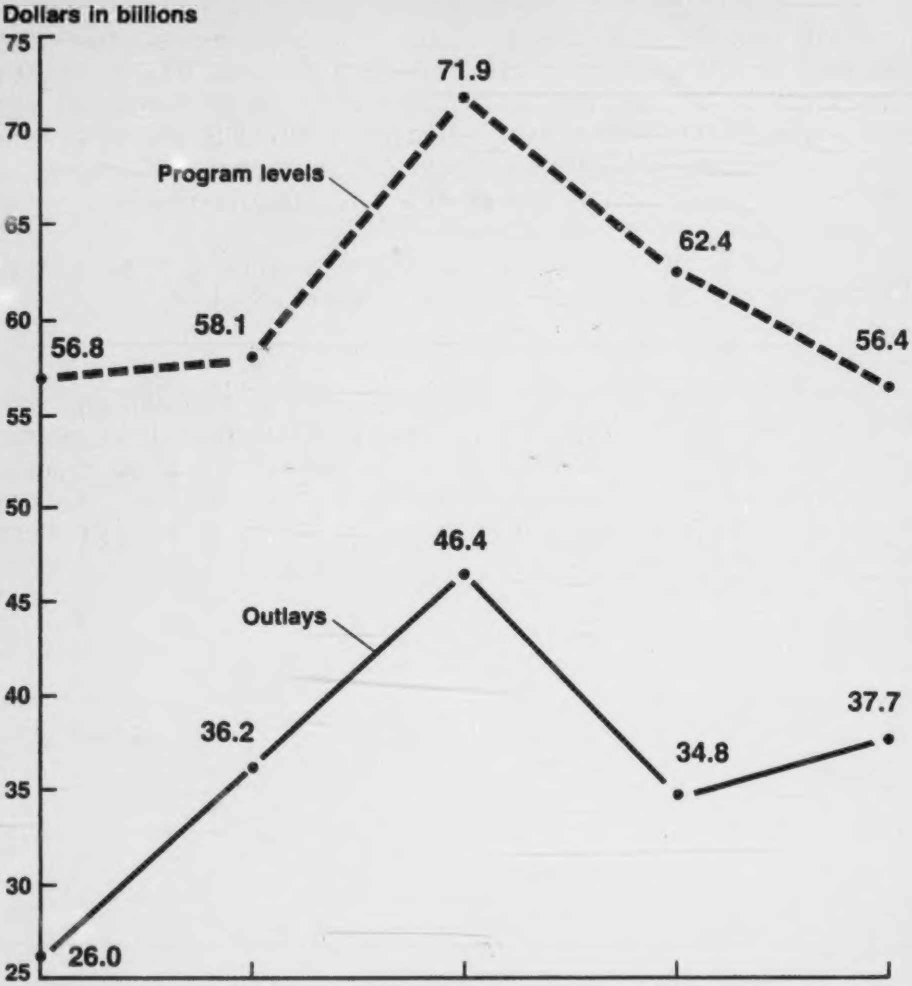
With these thoughts about the agricultural situation in mind, I would like to now turn to our budget request for fiscal year 1985.

FISCAL YEAR 1985 BUDGET PROPOSALS

The USDA program level measures the value of all goods and services provided by the Department. The USDA program level reached $71.9 billion in fiscal year 1983, but it is expected to decline by about 13 percent in 1984, and another 10 percent in fiscal year 1985, as shown in the chart. In large part, this is due to reductions in credit programs offered by the Department.

[The chart follows:]

USDA Program Levels and Outlays



The program level increased in 1983, and then it is projected to decline. Both program levels and the outlays decline, and then there will be a modest increase in 1985 in the outlays for the Department.

The more usual measure of activity is outlays, which reached $46.4 billion in fiscal year 1983, primarily as a result of record Commodity Credit Corporation outlays of $18.9 billion. Outlays for the Department are expected to fall by 25 percent in fiscal year 1984, primarily because the PIK program and the 1983 drought have reduced anticipated CCC outlays to $6.8 billion. In fiscal year 1985, we expect outlays for the Department to rise somewhat to $37.7 billion as 1984 crops return to more normal production patterns.

Our budget for fiscal year 1985 does not reflect any legislative proposals for the new farm bill because we believe that a comprehensive review and assessment of current food and agriculture problems is first necessary. To that end, I have established a working group on future food and agriculture policy. We invite you to work with us on the important task of developing a list of appropriate agricultural policy options.

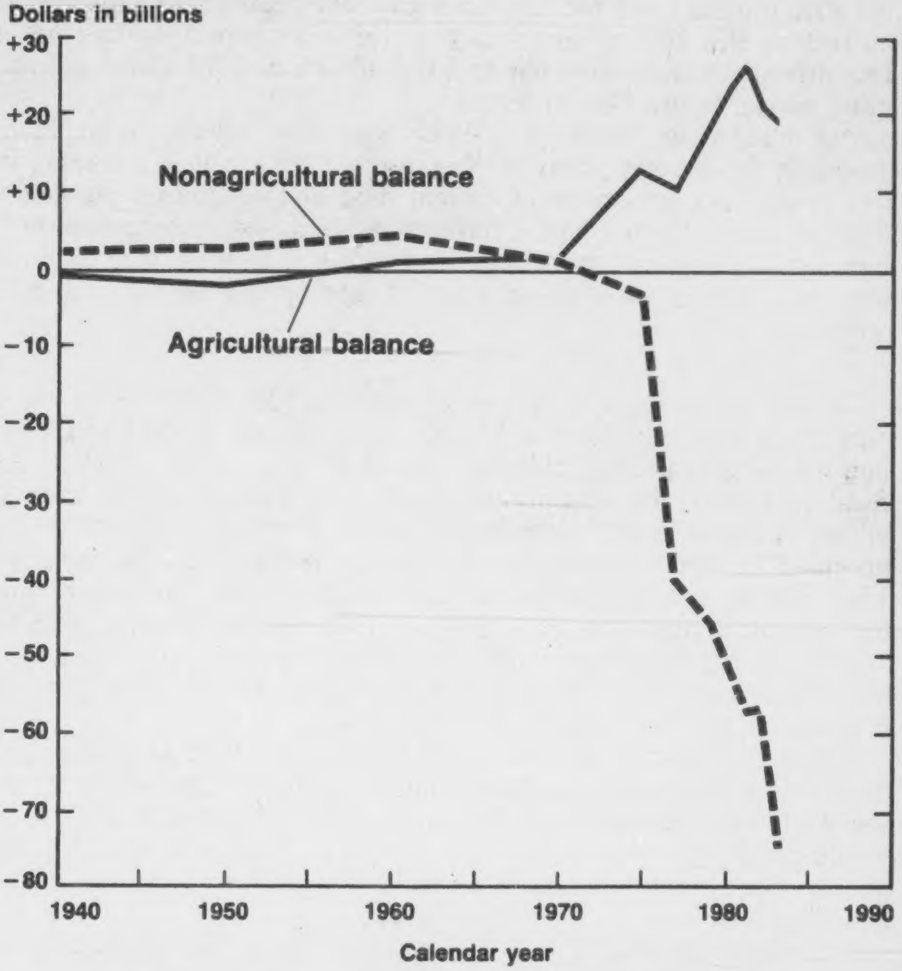
EXPORT MARKET DEVELOPMENT

We are continuing a high level of export credit. We have set the export credit guarantee level at $4 billion for fiscal year 1984 and $3 billion for fiscal year 1985. Over the period from fiscal year 1983 through fiscal year 1985, the administration will have made available over $12 billion in export credit, compared to a total of only $14 billion of credit provided by the program over its 27-year history prior to fiscal year 1983. We are also proposing increases for the Public Law 480 program for both fiscal year 1984 and fiscal year 1985, and an increase of $6 million in the export programs of the Foreign Agricultural Service. Since the Public Law 480 supplemental request is for humanitarian purposes, it is urgent that the Congress act expeditiously.

I think the chart on trade is worth looking at. All of us would like to have seen agricultural exports continue their incline upwards in spite of the worldwide recession and the strong dollar. We had a setback. We would prefer not to have had one. I want to show you what has happened with agricultural exports since 1970 relative to industrial or nonagricultural exports.

[The chart follows:]

Agricultural and Nonagricultural Trade Balance



We had a little setback here in the fifties, but it jumped back up in the sixties. There was another setback here in the seventies, and up right in this area in the eighties. But look what has happened to the nonagricultural balance of trade. Although we are not entirely satisfied with our successes in agriculture, relatively speaking, we are not doing too badly.

In an effort to represent our interests abroad in expanding markets, I have traveled extensively this year. I have traveled to the Soviet Union to sign a new grain agreement; to Brussels to meet on the European Community's Common Agricultural Policy; to Rome to chair the FAO Conference; and to numerous other developed and developing countries in an effort to enhance the position of the U.S. farmer in these markets. I believe these travels paid off in developing better relations between the U.S. and members of other countries which, in turn, will provide greater opportunities for selling U.S. agricultural products in the future.

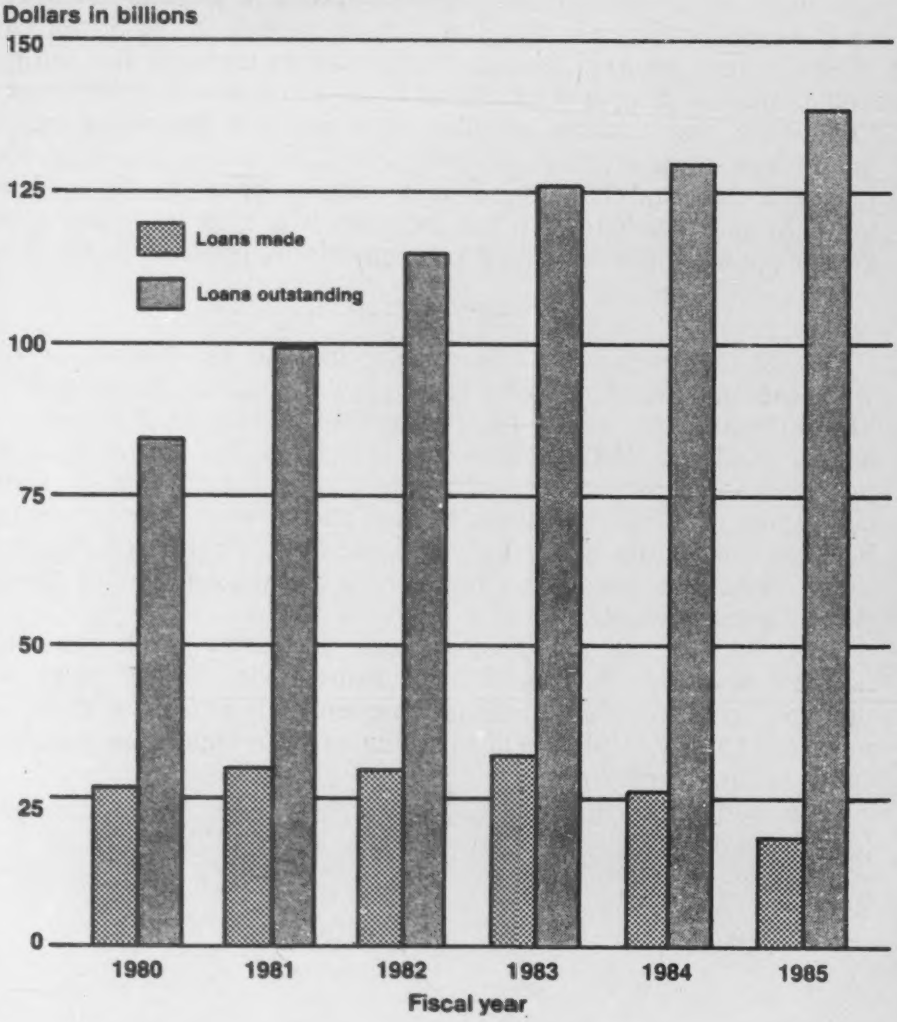
CREDIT PROGRAMS

Despite our proposals to decrease lending in fiscal years 1984 and 1985, the amount of credit outstanding will continue to increase from $130 billion at the end of fiscal year 1984 to over $138 billion at the end of fiscal year 1985, as shown in the charts. We are trying to keep the outstanding balance of credit from getting out of hand. In spite of our efforts, it is still projected to continue upward. We are trying to hold the line a little bit, and at the same time, we still are providing a lot of credit each year. There has to be a balance, and we are trying to strike a proper balance.

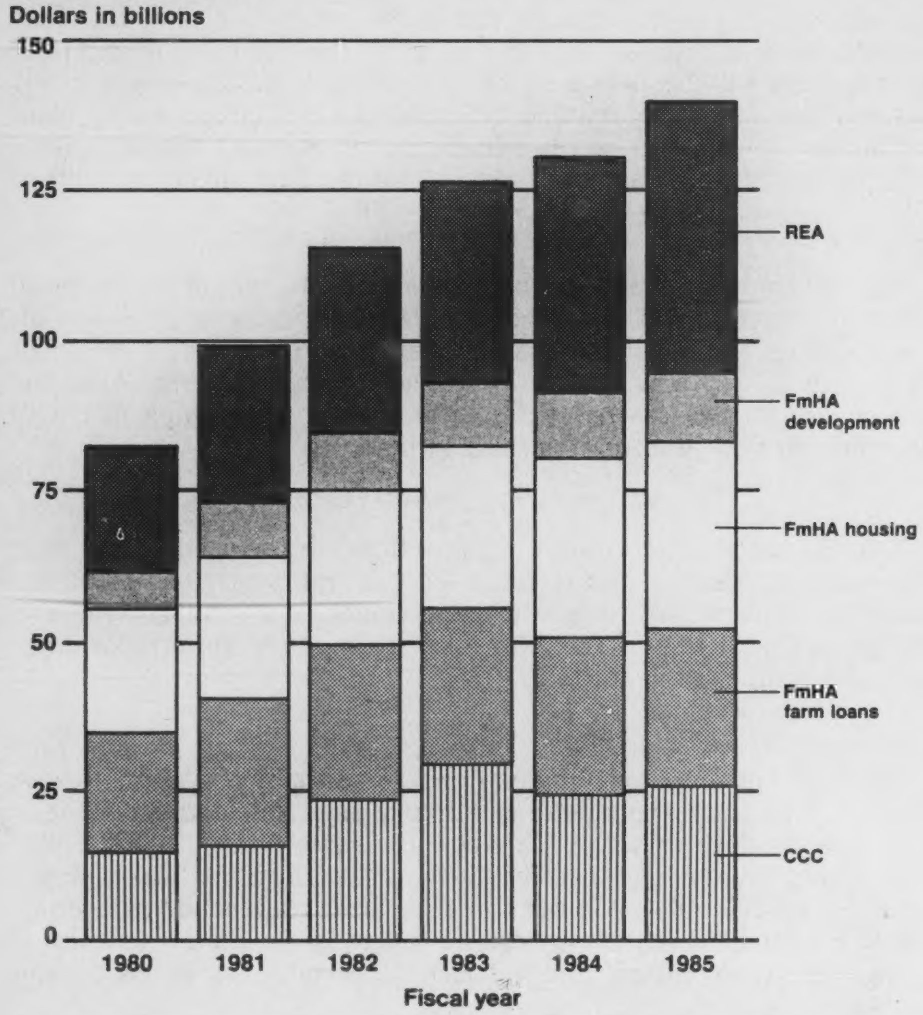
This situation of outstanding loans increasing while new loans decrease is due to the fact that the loans made in prior years, when program levels were high, will not be completely repaid for many years to come. Clearly, USDA will continue to be a significant supplier of credit to rural America.

[The charts follow:]

Value of Loans Made and Outstanding



Loans Outstanding by Program or Agency



These charts demonstrate the loans outstanding by program and by agency. These are loans outstanding, and you can see up through 1985 they still are projected to increase every year.

FMHA FARM PROGRAMS

For the Farmers Home Administration farm operating loan program, we are proposing an increase for the fourth consecutive year. However, FmHA's loans and grants for other purposes such as housing and rural development will be decreased or discontinued entirely. Significantly reduced demand for Rural Electrification Administration utility loans will make it possible to decrease loan guarantees by $2 billion in fiscal year 1985. Reductions are also proposed for the direct loan programs of REA.

FEDERAL CROP INSURANCE

We are proposing to continue expansion of the crop insurance program. Coverage will be extended to 34 commodities in 3,000 agricultural counties. Producer participation is expected to increase from about 15 percent in crop year 1983 to 24 percent in crop year 1985. Also, due to the drought, we are requesting a fiscal year 1984 supplemental to prevent cash flow problems later this spring.

SOIL AND WATER CONSERVATION

Soil and water conservation funding will be concentrated on technical assistance, soil surveys, and research. Cost-sharing programs will be significantly reduced. We believe that individuals and local governments should take more responsibility for financing on-farm conservation practices and flood control structures.

RESEARCH AND EXTENSION

Increases are proposed for our in-house research programs, for the traditional research and extension formula programs, and for a major new biotechnology initiative. This new initiative, funded at $28.5 million, would be used for a competitive grants program, which would focus on agricultural applications in such areas as genetic engineering. We believe that USDA must establish strong leadership in agricultural biotechnology to ensure that research is directed at pressing farm problems.

MARKETING AND INSPECTION PROGRAMS

In the area of pest and disease control, we are proposing to institute a user fee system that would partially fund the brucellosis program. We are also proposing reductions in Federal involvement in certain programs where pests are localized, or where appropriate technology is not currently available.

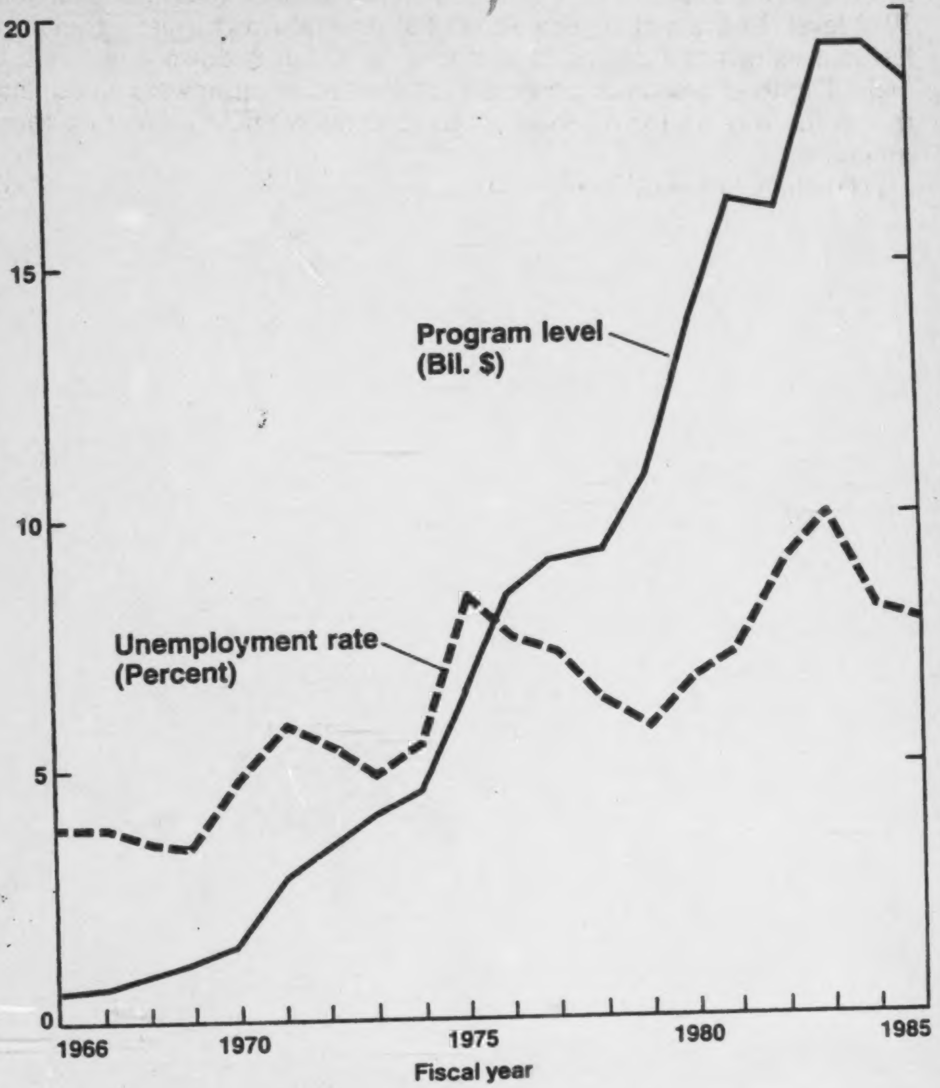
For the Food Safety and Inspection Service we are requesting modest increases to enhance industry compliance and strengthen the integrity of the inspection program.

DOMESTIC FEEDING PROGRAMS

Let me stress to you our continuing concern that food assistance be provided to needy Americans. During fiscal year 1983, Federal food programs cost over $19 billion, a 38-percent increase over the fiscal year 1980 level. I have a chart that shows the unemployment rate—granted it has had its ups and downs. It has been up and it is down now from its high. The food assistance programs are charted in an upward spiral, and that is the way we expect them to go in terms of money spent on those programs.

[The chart follows:]

Food Assistance



In addition, over $1.4 billion worth of CCC commodities were distributed. We are now reviewing and evaluating the recommendations of the President's Task Force on Food Assistance in an effort to further improve these programs.

Our budget for the food stamp program includes a fiscal year 1984 supplemental request for $308 million which will increase the funding level to $11.3 billion. For fiscal year 1985 we are requesting $10.8 billion, an amount which takes into consideration anticipated improved economic conditions and the enactment of the administration's legislative proposals.

For child nutrition programs, the budget includes a fiscal year 1984 supplemental request for $545.5 million bringing the total funding to $3.6 billion. Current estimates indicate the supplemental funding will be needed by mid-May 1984. Therefore, I urge Congress to act expeditiously on this request. In fiscal year 1985, the budget request for the child nutrition programs is $3.7 billion.

The administration is requesting a supplemental of $167 million to continue the women, infants and children program for the rest of fiscal year 1984. For fiscal year 1985 the administration is requesting $1.25 billion, a $22 million reduction from funds available in fiscal year 1984.

The budget requests for the remaining domestic food assistance programs are at about the same levels as in fiscal year 1984. We will be continuing to provide additional support to the programs in the form of surplus commodities. Also, the special distribution of dairy products and other excess CCC commodities will continue, and the budget includes a request for $50 million to assist States with commodity storage and distribution expenses.

Mr. Chairman, this concludes my remarks, and I will be happy to entertain your questions.

WIC SUPPLEMENTAL FUNDING

Senator COCHRAN. Thank you very much, Mr. Secretary, for your fine statement.

In connection with the supplementals, you mentioned the child nutrition programs and the WIC program as being the subject of requests for supplemental appropriations for this fiscal year that we are in now. You mentioned that the child nutrition programs will need funding by mid-May 1984. When will the WIC money be needed before any program participation will have to be affected? Do you have a date for that? Is it about the same?

Secretary BLOCK. We feel it would be early July when we would have to have additional money for WIC.

FOOD AID TO AFRICA

Senator COCHRAN. This morning in the Foreign Relations Committee, I joined Senator Nancy Kassebaum at a hearing looking into the problems in Africa. Considering the fact that you have sent a supplemental to the Congress requesting an additional $90 million in food aid to Africa, we were wondering whether or not you are aware of the fact that the House committee has already acted, and they are recommending a $150 million level? We will be meeting soon to consider that request. I wonder whether you have any reaction to the House action or not. Is that amount of money really needed? Are you still sticking with the $90 million figure? The testimony this morning seemed to be overwhelming that the problem may be greater than is reflected by the administration's request.

Secretary BLOCK. The administration still stands by the $90 million figure at this point, Mr. Chairman.

Senator COCHRAN. We have other Members of the subcommittee here. I appreciate very much the good attendance today. You draw a crowd very well, Mr. Secretary. I have several other questions in other areas, but I will yield at this time to other Members for questions. Senator Eagleton.

Senator EAGLETON. How much time do I have?

Senator COCHRAN. Ten minutes apiece will be fine on a first-round through.

FARM CREDIT

Senator EAGLETON. Mr. Secretary, I have two or three subject areas I would like to cover. Let me start with farm credit, and later on in the hearing we will get to some of the others.

I take it from your prepared statement that you believe that an economic recovery for agriculture has arrived. I am not quite as optimistic as you are. Let me point out a few facts and then pose some questions based on the facts.

Farmers in Missouri suffered two devastating droughts within the last 4 years. In 1982—which, incidentally, was not one of the drought years—the average farm in Missouri had a net income of $794.

Fact No. 2: Farmers Home Administration in Missouri has received almost 4,500 loan applications for emergency disaster loans. Less than half of these applications have been completely processed and almost 500 farmers have already been denied assistance primarily because they either have no security left as collateral or they could not show repayment ability.

Fact No. 3: Farmers Home Administration currently has 185 farms which they have acquired in Missouri due to foreclosures and voluntary conveyance. That is almost 50,000 acres of Missouri farmland.

No. 4: Of the FmHA farm borrowers in the State, 27 percent were delinquent on their loans as of December 1983.

No. 5: The Missouri State Finance Commissioner has reported that 20 percent of the rural banks in the State—20 percent of them—are considered problem institutions. In other words, there is considerable doubt whether they will receive full payment on a significant number of loans that they hold.

No. 6: The supporting materials submitted with the President's budget project that for crop year 1984 current prices will drop 24 percent, grain sorghum will drop 23 percent, soybean prices will be off 20 percent, and wheat prices will drop 8 percent below their already terribly low level.

No. 7: The Economic Research Service has predicted that the volume of agricultural exports will drop for the fourth straight year in 1984 to a level almost 14 percent below the volume shipped during the Carter grain embargo.

With that as a backdrop, I would like to discuss for a minute the decision that has been made to limit the economic emergency direct lending authority made available to $57.5 million. I would also like to discuss the distribution of those funds. In Missouri only 13 miniscule direct loans, valued at $379,000, have been made. Well over $5 million in loans were in final processing when the direct loan funds were shut off.

Please explain to us why only $57 million of the $600 million EE loan funds have been made available as direct credit?

Secretary BLOCK. Senator, in background to that question, I would have to say that I think some of the counties and producers in Missouri have suffered worse than other parts of the country because the drought was so severe in that region. There is no question about it, there is a special problem there that is more severe than in other areas.

The economic emergency loan program could have provided more direct and less guaranteed credit. The fact is that guaranteed credits will not draw against the outlays as the direct credits will. I think the guaranteed credits are a pretty good way to go. We need to be moving more in this direction so that the Government is not putting the money out, but the banks are doing more of it. It is important that we have the rural credit institutions handling more of this responsibility with the Government guaranteeing it.

We have about doubled the Farmers Home Administration operating loans since 1980. It is a pretty big jump to see a doubling in operating loans through the last several years of severe recession. The program helped many of our farmers face a lot of problems during that period.

Senator EAGLETON. You would concede that for most farmers, those who are the most severely distressed, the direct route is the only route?

Secretary BLOCK. There are some farmers under severe stress.

Senator EAGLETON. When that window closes, that is it; that is bye-bye farm, isn't it, for those who are the most severely distressed?

Secretary BLOCK. We are going to make every effort to stay with these Farmers Home borrowers. As I said, we have enough money, we have double the amount of funds for the operating loan program than we had in 1980. That is aside from the economic emergency loans, and we are going to be as compassionate as we can.

I am aware of the number of farms in Missouri that have come under the jurisdiction of Farmers Home. It is really almost exceptional if you look at the whole Nation in terms of farms. It is because you have had a rougher time than some other parts in the United States.

Senator EAGLETON. You said twice that Missouri has had a rougher time, and it has. Missouri got 0.6 percent of the direct loans, less than 1 percent. Without picking a fight with our distinguished chairman, Mississippi got 22 percent of the direct loans.

Missouri is severely distressed; why does it get a picayune 0.6 percent of the pot?

Secretary **Block**. What really happened is that a number of those loans were distributed for the most part on a first-come-first-served basis. I don't know if Mississippi was at the trough a little earlier.

WIC FUNDING

Senator **Eagleton**. Let me move on.

Senator Cochran briefly referred to the WIC program. The money runs out about July 10 for WIC, right?

Secretary **Block**. Yes; July 10 is the expiration date.

Senator **Eagleton**. What do you do and what do you want us to do?

Secretary **Block**. We are asking for the supplemental, and that it can be passed at the earliest possible time.

Senator **Eagleton**. You requested $166.9 million, is that right?

Secretary **Block**. Yes; that is correct.

Senator **Eagleton**. Will $166.9 million carry through the program at the current caseload level to the end of the fiscal year?

Secretary **Block**. It will not carry the current caseload. The estimate was that it would satisfy the need. If the caseload stays at this level as the economy improves—and it is improving—with the unemployment rate coming down, we may have to do something else about it.

Senator **Eagleton**. Is it possible you might need even an additional further supplemental?

Secretary **Block**. We are not anticipating that today.

Senator **Eagleton**. Not today, but you don't rule it out for sometime in the future. The economy is improving, I can't deny that, despite the stock market. [Laughter.] Factory utilization is up; unemployment is coming down; there are encouraging signs, and that is wonderful. But for the poorest of the poor, indeed it is the poorest of the poor farmers who are broke or near broke, whom you are dealing with almost exclusively on direct loans, and in the context of WIC, the poorest of the poor folks, if you look at a breakout of the figures, these folks are not recovering to the extent that other economic sectors of America are recovering.

Is that a valid observation?

Secretary **Block**. Certainly, there are those who are lagging and who are still suffering; there is no question about it.

Senator **Cochran**. Senator, your 10 minutes are up, and we move on to Senator Andrews.

FARM AND HOME PLAN

Senator **Andrews**. Thank you, Mr. Chairman.

Mr. Secretary, some of the questions of my colleague were intriguing, but let me get back to specifics on the Farmers Home Administration.

You replaced your farm and home plan with a complex 26-page form changing the accounting system required—the applicant is forced to complete it himself without any help from Farmers Home.

What prompted this bureaucratic move at a time when we are trying to help the little guy eliminate some of the paperwork?

Secretary BLOCK. Senator, that was brought to my attention and I asked that it be brought to me to look at. Have you actually looked at it?

Senator ANDREWS. I looked at it.

Secretary BLOCK. It is too much to be true, if every Farmers Home borrower——

Senator ANDREWS. It is amazing what a reasonable Secretary can do. [Laughter.]

Secretary BLOCK. There is a little more to it. It is to let a few of the more sophisticated better borrowers use it. If you look at it closer, you probably will concur that it does provide for some pretty good money management planning. We don't intend it for everyone. It is a trial effort.

Senator ANDREWS. Are you instructing your officers that they are not to force the Farmers Home families to use it?

Secretary BLOCK. Not everyone. We were thinking about 10 people in the county at a maximum.

HOUSING LOANS

Senator ANDREWS. That is good news.

Mr. Secretary, when we talked about availability of loans, one of the things that bothers me is that you put loans out in areas where Congress really didn't intend to. There is a rural housing program we put together some years back which was meant to take care of a town of about 300 or 400 people, where they had a family that was going to run the post office or a family to run the country store. You can't borrow money to fix a home or build a home in a small town like that, so we put together a rural housing fund under Farmers Home. Now you have taken it and forgotten all about that, and you are using this fund in this window of Farmers Home to the tune of several billion dollars. You are loaning money to build homes just outside a requisite radius from big cities, not for people who live in those small towns and want to work in those small towns, but to construct bedroom communities at low interest rates under a rural program for people who then drive 50 miles roundtrip out and back.

This doesn't fit in with the original intent of the program. It loads down Farmers Home county offices, and it is charged to county programs.

Secretary BLOCK. If you will give me some examples, I will be happy to look into it. I can't argue your point.

Senator ANDREWS. We have a number in North Dakota. We have one outside of Fargo, one outside of Bismarck, one outside of Minot. We tried to slow them down. We had too many, "Sorry that we can't do it, because we have been mandated to do it."

These rural housing loans, Mr. Secretary, were supposed to take care of the person who lives and works in that small town; not to entice the people out of the big city to start a whole new housing group which amounts to billions of dollars. Our Farmers Home office doesn't have the manpower or womanpower to run the normal loan program, and they have to process 75, 80, 90 loans to build houses to people who are really commuters.

Secretary BLOCK. I think the problems have to be that these people are legally qualified.

Senator ANDREWS. Sure they are legally qualified.

Secretary BLOCK. There needs to be a way they wouldn't be legally qualified.

Senator ANDREWS. They are legally qualified by the criteria you put in. I hope you look at it. This kind of housing should be done under HUD, and this kind of housing shouldn't take people out of the tax district of the city whose services they use, and move them into an artificially created environment due to low interest loans. It shouldn't load down Farmers Home.

DEPENDENCY ON REA

Mr. Secretary, one other thing, in loaning, you talk about the decreased demand for rural electrification. Are you aware of the community dependency on REA and that private utilities are not serving these rural areas? Do you intend to continue with the concept the Congress put together some years ago justifying rural electric loans on the basis of low density?

Secretary BLOCK. I understand that. We have rural electric in my own community and in my own county in Illinois. I realize there are places where REA is vitally important to provide low density electrical service for the people in these parts. What we are talking about cutting back on is primarily generation and transmission plants and resources. I think we are all quite aware that there is an overproduction of electricity.

Senator ANDREWS. You mentioned significantly reduced demand. Have you found and can you give us the figure that indicates significantly reduced demand inside the rural electric sphere?

Secretary BLOCK. I can't give you a specific REA district or anything like that. I do know there are generating plants all over the United States that aren't going forward because the demand isn't there. I am suggesting the Federal Government should not be pouring a lot of money into generating plants when there is no one there prepared to use the electricity.

Senator ANDREWS. One of the problems we are faced with, those of us in the Budget Committee, is the deficit. Part of the reason for the deficit is the necessity to import foreign energy. We could heat our homes electrically if we had additional generating capacity. That is why these electric co-ops are trying to heavy-up their lines. It would be better for the farmers if they could heat with electricity instead of foreign oil which make us less dependent on countries like Iraq, Iran, and Libya. I thought that was the President's program. Wouldn't it be consistent to make available more money for generation for substitute energy?

Secretary Block. I certainly would like to see less reliance on foreign oil. Somehow the market forces have to encourage people to do it, and they don't seem to be going toward this very fast right now.

Senator Andrews. What I read into your statement is that if there is a demand for rural electric generation, then that is something that you will meet.

Secretary Block. That is something that we could meet in some cases. There are other cases, as you well know, Senator, where REA cooperatives currently serve rather large metropolitan areas. They fall in the category very much similar to some of your private utility companies and don't need the kind of Federal Government support they once needed.

PRICE SUPPORT

Senator Andrews. In the case of price support operation, what is your reaction to an amendment up on the Senate floor now for 20 percent set aside, a target price for $4.40 next year and $4.40 this year, which is supported by the wheat producers and about which, incidentally, we got a report from the CBO that would save $3.2 billion over the next 5 years?

Is the Department, in light of the pressure on budget, inclined to support this initiative by a group of farm State Senators?

Secretary Block. Senator, we are always ready to look at ways of saving money and providing better support to our producers in the country.

Senator Andrews. I am not talking about a program, I am talking about the specific introduction on the floor of the Senate which has been rated by CBO as having a saving of about $3.2 billion over the next 5 years. We don't have the luxury of looking and questioning all of that. The signup has only been extended until the middle of this month. Hopefully, we can get it extended to the end of this month. If we don't, we are going to lose a fairly significant opportunity.

Secretary Block. The one you are talking about covers only one commodity.

Senator Andrews. It covers wheat.

Secretary Block. That kind of begs the case for all the other commodities, and in my opinion, generally treats the overall situation in more or less an unfair way without looking at all commodities.

Second, our analysis indicates that rather than saving money, it would probably cost about $500 million more than current law.

Senator Andrews. Over 5 years.

Secretary Block. I guess it would be, 5 years.

Senator Andrews. How do we explain the discrepancy in figures between the CBO, which is supposed to be made up of some fairly reliable people, and the Department of Agriculture? Do we really have the luxury of going back and forth? Isn't it imperative that we do something about wheat which is the commodity that has the biggest surplus at the present time?

Dr. LESHER. Your bill, Senator, wouldn't reduce wheat stocks at all. What you give up for all those that would have participated anyway, which may have been 50 percent of the wheat producers, is a 10-percent cutback. And in the end you don't reduce wheat carryover at all.

Senator ANDREWS. You raise an interesting point. You say that we are going to have 50 percent signup with the wheat program the way it is.

Dr. LESHER. I think so.

Senator ANDREWS. Do you want to bet a good steak dinner on that?

Dr. LESHER. I would. The reason is because we pencil it off for the average farmer, and indeed it is a paying proposition.

Senator ANDREWS. Mr. Secretary, it is great to see you again. You are a fantastic friend. We disagree from time to time. but that doesn't mean we have to be disagreeable. Out in the Midwest they appreciate your extending the program signup to give them enough time to look at it.

Senator COCHRAN. We have a vote on the floor in a few minutes.

Senator ANDREWS. I have a few more questions. I will submit my questions for the record.

Senator COCHRAN. Senator Specter is going to come back over. As soon as he gets back here he can reconvene the hearing and proceed with further questions. Until he returns, we are in recess.

[A brief recess was taken.]

Senator SPECTER [presiding]. We will reconvene the hearing at this time.

The chairman, Senator Cochran, has authorized me to reconvene the hearing. Given the extensive seniority, you soon learn how to step ahead on the questioning sequence by voting early and returning. [Laughter.]

This is very interesting. We had the Secretary of Labor this morning in Labor, Health and Human Services; the Secretary of State in the Foreign Operations Subcommittee; and this hearing is going on. As often as we bring you up here, Mr. Secretary, we do even more damage to ourselves in scheduling.

Secretary BLOCK. I believe it.

AVIAN FLU

Senator SPECTER. Mr. Secretary, I would like to question you about a couple of subjects. One relates to the problem of avian flu. The subcommittee held hearings in January on that issue. There is a meeting scheduled for March 13 involving yourself and representatives of OMB and a number of us in the Senate on the issue of what is fair market value for Pennsylvania farmers who have had their flocks destroyed as a direct result of avian flu.

The basic parameters are that the industry amounts to $9.5 billion nationally, consisting of many if not most of the States in the United States. The outbreaks originated in Lancaster and Lebanon Counties in Pennsylvania, then moved into York County, Pa., and then moved into Maryland. There is a real chance it could spread far and wide—as far as Georgia.

The fair market value required by the law has not been paid. There has been no taking into account the downtime on the flocks. The question is, where do we go from here?

The farmers are good citizens and are prepared to have their flocks destroyed in the national interest to stop the spread of the disease, but fair is fair and there ought to be adequate compensation. Where do we go from here?

Secretary BLOCK. Senator, my understanding is that last fall when this problem first surfaced, there was discussion and a meeting of the minds between growers and government on a fair replacement value, which is what we are obligated to pay to the producers of flocks that are destroyed. It does not, however, cover disruption or loss of income that farmers might have made had the birds been there for the sale of their products at a later date. I think it does cover the necessary obligation that the Government has in this case.

I do look forward to the meeting on the 13th to talk about the issue.

Senator SPECTER. Mr. Secretary, I do not believe that it is a fair replacement value that the law calls for. It is a fair market value, which is different. Fair market value would encompass the downtime and would encompass the products as well.

I am glad to have this chance to have this conversation with you in preparation for the meeting. It is a legal issue. There is a court decision on it. This matter was discussed at some length with Assistant Secretary McMillan, and I would request you to confer with him.

Secretary BLOCK. I will. I talked with him earlier today. Fair replacement value to me—I am not an attorney—means the value of the bird; not the time loss and the potential income loss. That is my interpretation of the replacement.

Senator SPECTER. My suggestion to you is—and you have your own lawyers, you have plenty of them; I wouldn't want to encroach on their prerogative—that fair market value is defined by regulation and in the case law, and it covers downtime and it covers damages, which is substantially beyond what has been paid. But you have to satisfy yourself. I believe that the lawyers will come to agreement on that point, but that is something you have to check out for yourself.

I believe that it is fair to say that Mr. McMillan agrees with that definition. What we were essentially talking about was that there have been losses to the Pennsylvania farmers of some $51,996,000; more than they have been compensated.

When Mr. McMillan testified before our subcommittee—and I will have available those notes when we meet—that payments were being withheld out of budgetary constraints; that it was simply a matter of not wanting to spend the money, as opposed to what the legal requirement for compensation was.

Secretary BLOCK. Certainly, we are obligated to follow the law and the intent of the law. Senator, you probably know, but everyone here may not, that we are making some progress, and Franklin County has just been taken off the quarantine list in Pennsylvania. That is an indication that we are starting to see this problem subside, when we are able to do something like this. It is encouraging. It doesn't solve the problem for those producers, however, who were forced to dispose of their flocks.

Senator SPECTER. Do you know what Mr. Stockman's position is? I understand he was not available to meet with us. He had agreed at one point to be present at the meeting but is now not supposed to be present.

Secretary BLOCK. You mean on the 13th?

Senator SPECTER. On the 13th.

Secretary BLOCK. I don't know if he is going to be present or not. I am aware that I am obligated to be there, and I look forward to the meeting.

Senator SPECTER. But the sum and substance of your position is that you are prepared to follow whatever the law is and render whatever compensation is provided for by law?

Secretary BLOCK. That is perfectly obvious. We have to do that.

Senator SPECTER. Well, my thought is that OMB has not taken that position even though it is perfectly obvious. The position which they have taken is that there are budget constraints, and I am not sure what that means, except that they don't want to pay what the fair market value is.

Secretary BLOCK. As I pointed out earlier, the replacement value is what our obligation is, that would cover the value of the bird.

Senator SPECTER. Mechanically, must the payment be approved by OMB before it can be made, Mr. Secretary?

Secretary BLOCK. Any budget spending consideration clears OMB from any department in Government.

DISTRIBUTION OF SURPLUS COMMODITIES

Senator SPECTER. Mr. Secretary, on the question of distribution of surplus food—this is a matter you and I talked about briefly one evening at a social event—there is a tremendous need in places across the country, specifically Pennsylvania, where unemployment is high. I was in Johnstown, Pa., not too long ago and had requests for additional quantities of surplus food.

My question to you is: Is it possible to increase the distribution of surplus food beyond what is being made available at the present time?

Secretary BLOCK. Sometimes it is possible to make adjustments because we have had some States that have not used their full allotment, or the amount given them somehow has been turned back. We can move some around someplace else. I would be prepared to see if there is something we could do for a targeted area that you may have that has special need.

Senator SPECTER. That would be enormously helpful, because some parts of Pennsylvania, especially western Pennsylvania, are extremely hard hit.

What are the categories of foods that are available now in the surplus food category?

Secretary Block. If you are talking about the direct distribution which is directed to people, the categories are dairy products, corn meal, honey, and wheat flour. That is the direct distribution. Your feeding institutions have a wider range of options. For those institutions, we have recently bought beef, pork, fruits, and vegetables. It is quite a wide range of products that we buy and make available for the feeding institutions.

Senator Specter. Mr. Secretary, that is good news. Who on your staff should we contact?

Secretary Block. Contact Tom Kay, our legislative liaison, and he will put you in contact with the food and nutrition people.

Senator Specter. Thank you, Mr. Chairman.

Senator Cochran [presiding]. Thank you. Senator Burdick.

FMHA LOAN DECISION

Senator Burdick. Mr. Secretary, are you familiar with the decision of the U.S. District Court in North Dakota regarding the policy of the Farmers Home Administration?

Secretary Block. Yes, sir, I am.

Senator Burdick. Can you explain to the subcommittee what changes have been instituted in the FmHA loans to comply with the court's decision?

Secretary Block. Basically, what we are doing is complying with the decision which requires that before any one loan is foreclosed, the individual is notified, and it is made quite clear to him what his options are. He is given every opportunity to demonstrate that there is some way that he can make his payments. I would say in most cases we are already going the extra mile.

Senator Burdick. Since the preliminary injunction was issued in November, how many deferral requests have there been and how many have been granted?

Secretary Block. Data on the number of requests for deferral is unavailable. In December and January, the number of deferrals approved totaled 444 nationally.

We have been getting a lot of deferrals and a great many reamortizations and readjustments in loans in order to help people through the problem times right now. There have been a huge number of them.

Senator Burdick. I am glad to hear that.

I presume that pursuant to the decision that the FmHA is advising the borrowers of their rights and the fact they can be heard at a certain time?

Secretary Block. Yes, sir.

Senator Burdick. When a bill or a loan is reamortized, is it reamortized at the same rate of interest or at a higher rate?

Secretary Block. Sometimes at the same rate depending on the situation. It can be at a higher rate sometimes too, but it is not always.

Senator BURDICK. What determines whether or not it would be a higher rate?

Secretary BLOCK. I hope somebody is here to answer that. I can't tell you, sir, how we do it in detail. I would be guessing, but it may be based on the size of the original loan. It is not going to help someone who had a loan at a reasonable interest rate for us to take it away from him and give him a bigger loan at a higher rate. We will provide that for the record.

[The information follows:]

Under existing regulations loans are rescheduled under the current rates. If the initial note rate is lower than the current rate, rescheduling would imply a higher rate unless the borrower could qualify for lower rates offered limited resource producers. FmHA has proposed to change existing regulations to allow for rescheduling at current rates or the initial note rates, whichever are lower. This proposal was published in the Federal Register on July 22, 1982.

FARM OWNERSHIP

Senator BURDICK. According to the explanatory notes provided to the committee by the USDA, the Department has acquired property under farm ownership. The acquired property has increased 615 percent since 1980. In terms of numbers, the notes indicate there were 179 acquired properties in 1980 and 3 years later there were 1,101, with a value of $100,534,645.

According to the estimate in the fiscal year 1985 budget, you expect that the increase in property acquisition will continue.

How many of these properties were retained as a result of liquidation and conveyance; do you know?

On the average, how long are these properties retained by farmers prior to their disposition?

Can you tell me in a general way who purchases the property from the Government, and how is it disposed?

Secretary BLOCK. It is purchased usually by farmers who want to farm the land. I think it is usually purchased and sold at auction.

Senator BURDICK. Fill in those unanswered questions, please.

Secretary BLOCK. We will fill in all those blanks for you for the record.

[The information follows:]

Recent reports of FmHA indicate that the number of farms in inventory increased from 967 as of September 30, 1982, to 1,891 as of September 30, 1983. Acreage in inventory farms totals about 418,000 with a total valuation of $435 million. In 1983, a total of 1,683 farms were acquired and 759 farms sold. Of the acquired, 969 farms were through voluntary conveyance, 467 through foreclosure initiated by other creditors, and 247 through foreclosure actions initiated by FmHA. The length of time farms remain in inventory varies substantially depending on the type and condition of property and redemption rights specified in State law which provide the borrower an opportunity to reclaim his property lost through foreclosure actions. Where possible, FmHA attempts to place inventory property with farmers eligible for FmHA loans. Property unsuited for sale to eligible FmHA borrowers is normally sold through auction proceedings. Last year 742 farms in inventory were leased pending final disposition.

FARM BILL LEGISLATION

Senator BURDICK. I understand that my colleague, Senator Andrews, asked you about the farm bill. I understand that March 16 is the deadline for any further legislation. Do you have any thoughts about further legislation?

Secretary BLOCK. No, sir. That would be the deadline for the signup. I keep an open mind but I think that legislation should envision the target price freeze, and it should look at more than one commodity, more than just wheat.

Senator BURDICK. In other words, at this moment there is no change anticipated by you or one that you might agree to at this moment?

Secretary BLOCK. I haven't seen one to agree to. I know there are some proposals. Senator Melcher told me about some, but that which was presented to me was more costly than current law. It would end up with no reduction in carryover and probably would actually have more carryover, from our analysis.

Senator BURDICK. Do you have a view on the House bill?

Secretary BLOCK. The House bill doesn't fit our needs either, in my opinion. I can't remember the details of the House bill. It is only wheat, too. It doesn't freeze at the 1983 level.

Senator BURDICK. And that would not meet with your favor either?

Secretary BLOCK. Not the House bill, no, sir.

Senator BURDICK. We have to dream up some more for you.

Secretary BLOCK. Be my guest.

Senator BURDICK. We think the situation is very serious.

Secretary BLOCK. I understand. I take it very seriously myself. It is important to sign up and have participation. Individually the producers need participation, and with that kind of collective need, we need to avoid overproduction.

Senator BURDICK. Don't be surprised if we come up with another suggestion before the 16th of March.

Senator COCHRAN. Senator Abdnor.

AGRICULTURE OUTLOOK

Senator ABDNOR. Mr. Secretary, it is nice to have you with us today. I am sorry I missed your opening statement. After taking a quick glance at your statement one would think the picture is looking pretty rosy for agriculture. I wish I could agree with you. Last week I was home enjoying the Lincoln-day recess. On one particular day, I was open to questions and was asked about a statement you had made about how good agriculture was doing and how it had improved during the past year. Mr. Secretary, I spent quite a bit of time trying to address your statement. Farmers and ranchers out in South Dakota are not prospering and their incomes have not improved. Maybe a few of them are, but the vast majority of them are really hurting.

The No. 1 concern I heard when I was home, during the 10 days when I traveled the State, was if these gentlemen who are in the farming business are going to be able to obtain credit to do their spring planting. Dollars are not plentiful.

FARM INCOME

I notice that you say farm income was $22.1 billion in calendar year 1982, rose to an estimated $22 to $24 billion in calendar year 1983, and in 1984 net farm income may climb to $29 to $34 billion. I don't think that really means much to the farmers. There was a 5-year period where farm expenses rose twice as fast as incomes. While PIK was a big help, that was a one-shot deal; it helped carry them through the bad times.

Do you think the average farmer is better off today than he was a year or two ago?

Secretary BLOCK. I think you have to look at individuals and individual counties and regions of the country. I realize that even the purest statistics don't always tell everything, but we think we are going to have a net farm income this year of about $30 billion and that is quite better than the $22 billion. Some are getting it, and some are not. Those who are not, I realize, have serious problems. The payment-in-kind program, the export initiatives, and the doubling of the lending through the Farmers Home Administration operating loans have been designed to help bridge the gap to get us from where we were during the seventies to economic times where there is greater demand both domestically and internationally.

FARM LOAN FUNDING

Senator ABDNOR. Many farmers wish they had the ability to borrow money to get into the field. I wrote to the Federal Reserve Board and the banking associations to find out what it looks like for farm credit and the availability of loan funds for the farmers in this coming spring. It must take quite a while to find the answers, because we are not proceeding too quickly on this. This is a problem.

On page 5 of your statement, you mention the high levels of interest and how they have dropped. This is true, but most banks which loan money to farmers like to know if a farmer is going to return enough income to pay off on that loan. This is the dilemma in which banks, farmers, and ranchers find themselves. The prime rates today are much better than they were 3 or 4 years ago, but that doesn't answer the problem. I keep thinking the farmer is rolling dice, hoping things are going to get better next year if he can just hang on. I would hate to see things get so bad that he will say, "fold," and we can't help him anymore. I don't want that. We have to come up with some kind of answer, and we have to find some means to help these people carry on.

Ever since I was a young man in politics and government and even as a farmer, I used to hear that we are always going to weed out the poor managers and poor operators, but there has been a lot of weeding out, and the guys left over have to be pretty good operators to last this long.

I don't have immediate quick answers, but I know that the availability of affordable credit is one of our biggest concerns.

How are we going to help finance these farmers' ways into the field? What are we going to do?

Secretary **Block**. I don't have any new revelations. The farm operating loan funding is twice what it was.

Senator **Abdnor**. When they go in for a loan, what do we look for? What is the determination of whether they can have a loan or not?

Secretary **Block**. First, they have to have exhausted their options of getting money from a normal lending institution. Second, they have to have some prospect of repaying the loan.

Senator **Abdnor**. What does that have to entail? Do they have to have a good farm record?

Secretary **Block**. Yes; that has something to do with it, absolutely. They have to show some way of making it through the year with the borrowed money.

Senator **Abdnor**. What is the most affordable interest rate a farmer can get today?

Secretary **Block**. I don't have the exact figure. It would be about 10 percent right now. For limited resource borrowers, the rate may be reduced to about 5 percent for real estate loans and about 7 percent for operating loans. If it is a natural disaster, and the individual qualifies for disaster loans, he can get up to $100,000 at 5 percent and then an additional $400,000 at 8 percent. He has to qualify for the natural disaster loan and document that degree of disaster. He can get up to 80 percent of his losses covered by a loan.

Senator **Abdnor**. There would be sufficient capital—funds available—for those who can qualify?

Secretary **Block**. We are going to be making about 2 billion dollars' worth of disaster loans this year.

Senator **Abdnor**. Don't get me wrong, I know how fast these farmers can go through $100,000. I know billions is a lot of money. I just know it takes a lot of dollars to keep a farm or ranch operating.

FARM PROGRAM SIGNUP

Let me ask about the farm program. Obviously, you were concerned too because you extended the signup period.

Secretary **Block**. The signup period was extended for 3 weeks.

Senator **Abdnor**. You did it for a reason. Do you think this is going to help us? Are they starting to sign up now?

Secretary **Block**. Yes, sir, and I feel it will help a great deal. I listened to the farm leaders and Members of Congress and responded accordingly. The greatest desire was to have more time for signup, and I addressed that.

SUMMER FALLOW

Senator **Abdnor**. Another problem was summer fallow rules.

In my area of South Dakota, that was one of the biggest problems causing the delay. I personally think it is unfair to ask a farmer to idle 30 percent of his wheat base in addition to his normal summer fallow acres. Out in my part of the country, we have to summer fallow. Some of these people have been doing it for years. People who don't have to summer fallow have an advantage.

I am wondering why it wouldn't be better to make the program more acceptable in the early stages when farmers are first informed about it. I have my own ideas on what a good wheat program might entail and what changes should be made in the current program to entice more farmers into it. It would be well worth the Government's investment to improve the 1984 wheat program. I hope you consider it.

Senator COCHRAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Does the Senator wish to have some additional time? Would the Senator like a couple of minutes?

EXPORT CREDIT PROGRAM

Senator ABDNOR. It is nice of you to do that. I would appreciate another minute and a half.

I do want to ask you, Mr. Secretary, about the export credit program. I believe this is one of the programs we must utilize. Let's face it, we are producing the commodities so we must sell them. I see somewhere in your testimony that you have stated that export dollars are up but the total bushels are not, is that right?

Secretary BLOCK. That is true. The volume is going to be about steady and the dollars are up because the product is worth more.

Senator ABDNOR. We are moving too slowly to recapture lost markets. I still don't think we are fighting fire with fire. If everyone is competing fairly, that is one thing, but if foreign competitors are going to keep unfairly competing with us, I think we have to do something. The subsidized wheat sale to Egypt was a good move. We did to them what they have been doing to us for a long time. Somewhere along the line I think we have been told that we can't jump into a trade confrontation and create a lot of bad relations with other countries. I think you would like the opportunity to carry on a real trade war if they want to do it, if they didn't want to be fair. [Laughter.] Am I wrong? You must admit, we are at a disadvantage, are we not?

Secretary BLOCK. We are at a disadvantage, but the fact is, our greatest disadvantage is the abnormally strong dollar. That is the biggest problem. The second biggest problem is that some of our best growth customers have fallen upon difficult economic times, and they can't buy what they would like to buy.

Senator ABDNOR. We are starting out at a huge disadvantage.

Dr. Lesher, you are an economist, do you see anything to change in the next year in the dollar?

Dr. LESHER. I guess you always like the optimist. I don't think necessarily that you are going to get much relief.

Senator ABDNOR. We must put more dollars in our export programs.

BLENDED CREDIT

Secretary BLOCK. The Senator points out that we have been targeting our blended credits to countries where we compete with the European Community. We recently sold 1 million metric tons to Algeria and had earlier sales to Morocco. We are working the Mediterranean coast, and we are going to continue to target blended sales.

Senator ABDNOR. The fact still remains that we have fewer export bushels this year than we did before. With PIK, we cut back production while other countries increased their production. Soon we are going to be the low producers if we unilaterally cut back, and the big producers are going to be our foreign competitors. We still have the most efficient, productive group of farmers you can find anywhere in the world. I don't think we can be outmatched.

Senator COCHRAN. Thank you very much. Senator Byrd.

SOAK CREEK WATERSHED PROJECT

Senator BYRD. Thank you. Senator Abdnor can do more in a minute and a half than I can in 30. [Laughter.]

Mr. Secretary, at these same hearings last year we discussed the Soak Creek and the Upper Mud watershed projects in West Virginia. And, in answer to one of my questions, you indicated in a written response, which was provided subsequent to the hearing, that construction of the Soak Creek project could begin in May 1984 if funds were provided by Congress. Since the funds were provided, are you prepared to proceed with the construction of the Soak Creek project in May?

Mr. DEWHURST. Yes; it is on the Soil Conservation Service list of projects that will be ready this summer.

Senator BYRD. What is the Federal share and what is the community share?

Secretary BLOCK. The Soak Creek watershed project is estimated to cost a total of $5 million with the local community to be responsible for about 20 percent of the investment. Before construction can begin, more land rights need to be obtained by the community. Once we are assured that these have been secured, then we will seek a construction start from OMB. At this time, there is no reason to believe the project could not begin in May 1984.

Senator BYRD. Are you ready to proceed?

Secretary BLOCK. I was informed by my staff before I came that all of your desires in those creeks are going to be cared for and that is all I know. That should be satisfactory.

Senator BYRD. I am left speechless. [Laughter.] This is the one time I feel like the emperor who had no clothes. [Laughter.]

Let me see if I heard you correctly. You did say that Soak Creek can proceed?

Secretary BLOCK. Soak Creek is all right.

Senator BYRD. Thank you very much.

When do you feel construction would be completed?

Secretary BLOCK. The construction phase is expected to be completed within 3 years and the total installation should be completed within 5 years.

Senator BYRD. I do thank you seriously for the progress that is being made on this Soak Creek project.

UPPER MUD PROJECT

Let's go to another project. I want to thank the chairman, too, for his assistance in connection with the watershed projects that have been of interest to me, and I am indebted to him a great deal.

Now, the Upper Mud project. When is that one going to go forward?

Secretary BLOCK. All of your projects, sir, are in the works. The Upper Mud project is estimated to cost $12.8 million with the local community to be responsible for $7.3 million of the investment. At this time, we anticipate construction to begin in May 1985. The construction phase will take about 3 years and the total installation should be completed within 8 years.

Senator BYRD. Now that is a new construction.

Secretary BLOCK. Yes, sir.

Senator BYRD. I guess I had better quit while I am ahead. [Laughter.]

Thank you, Mr. Secretary.

Senator ABDNOR. I want to say I am especially grateful to the minority leader for all of his important questions on information he needs.

Senator COCHRAN. Thank you, Senator Byrd.

Senator Abdnor, do you have other questions?

Senator ABDNOR. No.

FOREIGN MARKET DEVELOPMENT

Senator COCHRAN. Senator Abdnor brought up a subject, Mr. Secretary, that is of great importance to the economic health of our country, and that is the matter of exports and our balance of trade. I happened to be with the Secretary of Commerce yesterday at a meeting in which he projected that in this next fiscal year, we were going to have a trade deficit in manufactured goods and services in excess of $100 billion. And it dawned on me, because of the fact that we are enjoying a trade surplus in agriculture, that were it not for agriculture trade, the economy of this country would really be in a crisis state.

I worry, then, that we see in the budget a request for a cutback in financing of exports in agriculture for the next fiscal year.

What is the explanation for that, and do we run a risk of undermining the capability of competing effectively in international markets?

Secretary BLOCK. Let me point out that certainly there is some risk here. We do have an increase in Public Law 480. We are looking this year at improved economic conditions around the world. I would point out, furthermore, that we traditionally have started off with our best guess figure. This guaranteed credit level can be changed.

In 1982 we didn't use all of the money authorized. Last year we started off with $2.8 billion and we ended up with $4.8 billion authorized, of which $4.7 billion was used. This year we started with $3 billion and went to $4 billion. So, it is possible some adjustment could be made. However, given the improving world economy, it may stay at $3 billion.

I think we have demonstrated necessary flexibility in the past. At the same time, we have to be rather careful and prudent in managing the taxpayers' money. We all know many of these countries are not paying back on a timely basis and are not meeting their obligation. We have an obligation here to protect the taxpayers' money. It is a very delicate balance and the calls are not easy.

Senator COCHRAN. I think it is obvious that agriculture has out-performed the rest of the American business sector in terms of its ability to compete for business overseas. When the value of the dollar is so high, it hurts our chances for exports. Financing is hard to come by, and the worldwide recession has made it much more difficult for a lot of our trading partners to purchase the goods they would like to buy from us.

I think that agriculture, while we do see downturns in those sales, has really out-performed the rest of the industrial sector in the United States in the export area. I think you are to be commended for the leadership you showed in helping make that happen. I think the American farmers have also earned applause and the praise of America for helping save us from economic catastrophe. That is a fact that can be justified by the record.

UNITED STATES-EUROPEAN COMMUNITY RELATIONS

I am a little bit concerned by what some think is the deteriorating condition between the United States and the European Community. They are good customers for many of our products. There are grumblings about a trade war. Senator Abdnor referred to that. We are concerned because we sell about 4 billion dollars' worth of soybeans in the European Community annually, and 700 million dollars' worth of corn gluten feed was sold last year. We heard that the Europeans are considering a tax on oil—which, in effect, would be a tax on soybeans. There could be a tax imposed on corn gluten feed. We introduced here a bill that would suspend the importation of wine from the European Community because of the evidence that we have that they are selling in our country below the cost of their production.

Does this mean we are in the beginning of a trade war with Europe? And if so, what does that mean for the American farmer?

Secretary BLOCK. Senator, I don't feel that we are going to be launched into a trade war. I was in Berlin at Green Week in January, and I felt that that was one of the most productive meetings that I have attended. Virtually all of the ministers of agriculture and agricultural leaders throughout Europe and the United States were in attendance. I was the keynote speaker. I delivered a very strong statement about the United States position. We are not going to tolerate the Community's going ahead and using the United States imports into the Community to help reform the common agricultural policy, either by capping corn gluten feed imports or taxing fats and oils.

Probably even more important than that speech was the clear acceptance and recognition on the part of the leaders of Europe—the agricultural leaders. They are saying that true reform of the common agricultural policy must take place; they can no longer produce for a market that does not exist. They are now, at long last, committed to fundamental change. That doesn't mean we are going to solve our conflicts and our problems overnight. I predict it will go on for 2, 3, 4, or 5 more years. I think we are turning the corner in this conflict and that is one reason why the administration certainly would not favor the Wine Equity Act, which would get into all kinds of problems with the GATT. We really support the GATT and want it to work better, but we have to have international trading rules and we must live by those rules.

CORN GLUTEN

Senator COCHRAN. We understand that the retaliatory action against corn gluten feed has now been dropped from consideration by the Community. Can you verify that?

Secretary BLOCK. The Council of Foreign Ministers postponed the consideration. They are really postponing it until the Community can agree on some real substantive measures to reform the CAP, aside from lashing out at the United States or asking us to pay the price. I wouldn't say it is out of the question, but it is postponed.

They may decide to do something on corn gluten feed, and tell us that they are not prepared to take a precipitous action against us but would rather call for consultations under section 28 of the GATT. This means we are obligated to talk to them about it. I should hope they don't call for those consultations. If they do, we will have to tell them there is no deal.

OILS TAX

Senator COCHRAN. Is it also true that the proposal for the oils tax has been postponed, or has that been taken off the table as one of the items to be considered?

Secretary BLOCK. You never know what may transpire. It is just postponed.

Senator COCHRAN. I am presuming that during your visit there, during the Food and Agriculture Fair, that you made our position clear, that we wouldn't tolerate any such imposition of tax or cap on the amount of corn gluten feed that could be sold in the Community. Did you do that?

Secretary BLOCK. Yes, sir, I did. I appreciate and compliment you for your steadfast support of this position on the part of American agriculture. It helps a great deal in giving the administration the kind of backing that we need. We do have a unanimous position on the part of the administration and the Congress, and I think we are very strong in that regard. It is going to help us hold the line.

Senator COCHRAN. I thank you.

Senator Eagleton is back at the hearing, and I am going to yield to him for whatever questions he may have at this time.

FOOD PROGRAMS

Senator EAGLETON. Thank you, Mr. Chairman.

We left off, Mr. Secretary, with nutrition, and let's return to that subject in another facet.

Let me refer to the President's Task Force on Food Assistance. They made several recommendations which I consider positive in nature. I do not agree totally with the report, but here are some things with which I do agree. First, they said the participation in the WIC program should be maintained at current levels. We have already discussed that.

The task force said that food stamp benefits should be increased to 100 percent of the thrifty food plan. They said food stamp asset limits should be raised to allow more of the unemployed to get assistance. And they said that workfare should be maintained as a local option.

In light of those recommendations from the President's own task force, we have the President's budget, and it is different. It calls for a substantial cut in participation in the WIC program in both fiscal years 1984 and 1985; it leaves food stamp benefits where they are; it leaves asset limits where they are; and it would make workfare mandatory nationwide.

Each one of those recommendations is directly inconsistent with the President's own task force. Could you give us your observations as to why the President's budget contradicts his own nutrition task force?

Secretary BLOCK. Yes, sir. The task force recommendations arrived at practically the same time this budget was going to print. The budget doesn't really reflect a full review of the task force and its recommendations. Those recommendations are under review. We already moved ahead with implementation of some of the recommendations that can be done without legislation. The President was quite pleased with the task force recommendations, as he indicated. I can't speak precisely as to what will transpire, but I am guessing the Congress will have some ideas related to it. We will be prepared to work with the Congress.

Senator EAGLETON. If you are—and I take you at your word—reviewing the task force report and it came simultaneously with the budget, let's be specific. Do you have under consideration the following three things: That food stamp benefits be increased to 100 percent of the thrifty food plan; that food stamp asset limits be raised to allow more of the unemployed to get assistance; and that workfare be maintained as a local option?

Secretary BLOCK. These three are under consideration and under review.

Senator EAGLETON. Can you give us an estimate as to when we might have your answer?

Secretary BLOCK. I don't have a timetable on that.

Senator EAGLETON. This year?

Secretary BLOCK. Yes, sir. Furthermore, I am guessing that the Congress will be looking at the whole issue sometime this year. From my own perspective, some of the most important parts of that task force report are not the legislated portions. I believe the effort to get the Federal Government working more closely with the States, the cities, and the communities might well be the most important portion of getting the job done. Even those adjustments you are talking about for the most part are not big dollar issues, as you are aware. We found ourselves trying to administer a food stamp program that exploded in size by about 45 percent in terms of dollar outlays as a result of the recession. Commodity distribution programs quadrupled, and programs of soup kitchens and institutional feeding are springing up across the country.

My opinion is that we were, and have been in the last 2 or 3 years, just learning how to deal with this situation and deal with it more efficiently and effectively to meet the needs of the people. We are doing a better job every day and if there are places where we need to be doing more, I have an open mind. We are prepared to listen and to try to be more helpful.

ADJUSTMENTS IN FOOD PROGRAMS

Senator EAGLETON. In your prepared remarks you say as follows:

> Although it is often implied that the food programs have been cut back under this administration, quite the opposite is true. In fact, during fiscal year 1983 the Federal food programs cost over $19 billion, a 38-percent increase over the fiscal year 1980 level.

I have these questions: Is it not also a fact that in every budget submitted to-date by this administration that you have sought reductions in the Federal food programs which would lower food assistance provided needy Americans?

Secretary BLOCK. Many of the reductions that have been made in budget requests have involved improved management of the program, and more accountability of the States to reduce the error rates. There have been some adjustments made. You target more of the available resources to the most needy people and take off the rolls those who are not truly needy. Frankly, there have not been very many who have come off the rolls. There would be about 5 percent or less of the ones off the top of the rolls which have come off, and we focus on the ones most needy.

Many of the changes that have been made have been the ideas and recommendations of the Congress.

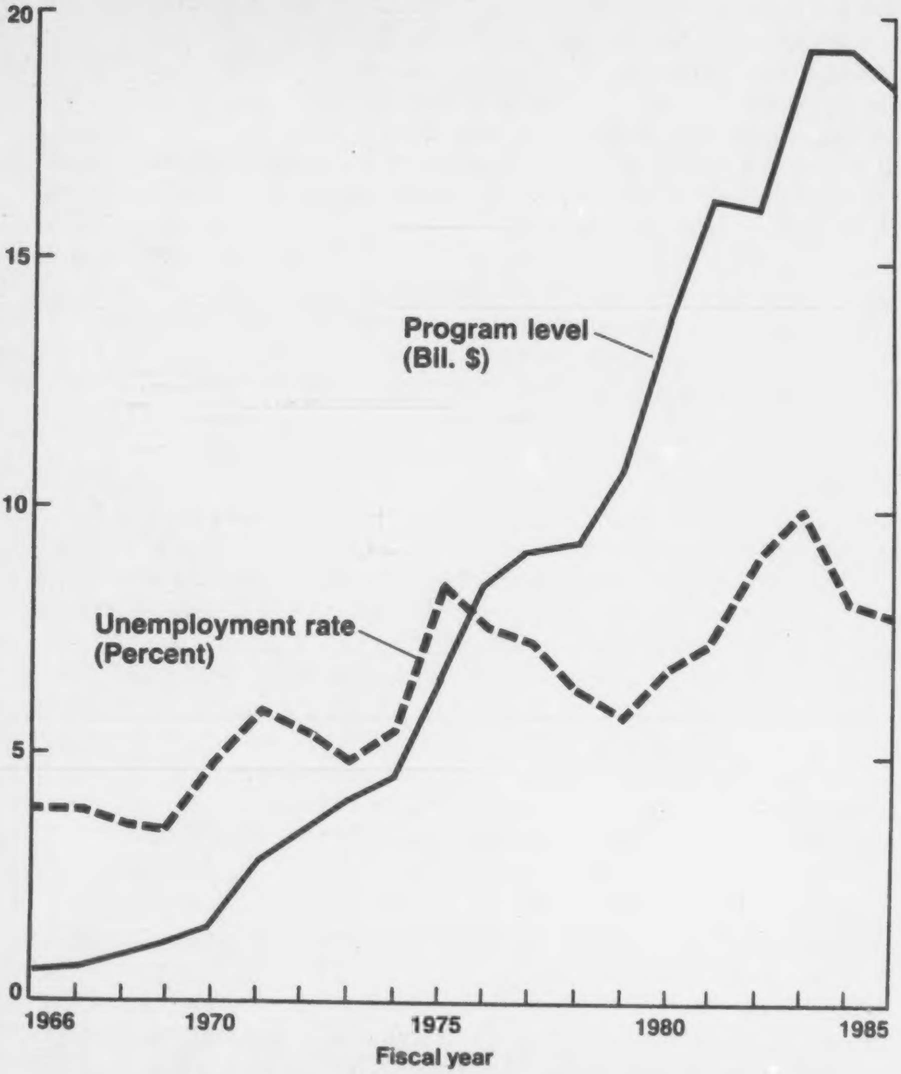
Senator EAGLETON. You use the word "adjustments." This is the Appropriations Committee, and we use the word "reductions." My question was really a one-word-answer type question. Every budget submitted by this administration has sought a reduction in the Federal food programs. The figures are there; they are there to read.

Is it not also a fact that the major reason that food programs cost as much as they did in 1983 was that unemployment that year averaged 10.2 percent? Wouldn't that be the main contributing factor?

Secretary BLOCK. Unemployment could be the main contributing factor. I would point out that more people have come on the rolls beyond those that you can just point to because of unemployment. The chart on food assistance shows the unemployment rate and the program level.

[The chart follows:]

Food Assistance



Senator EAGLETON. Just to make the record complete, the Congressional Budget Office in August of last year released a report which estimated cumulative reductions in low-income programs under the Reagan administration. When the CBO analysis is further adjusted to reflect the administration's fiscal year 1985 budget proposals to cut these programs, it shows that your budget request for food stamps is 17 percent below what it would have been had we made no change in the program over the past 3 years, and the request for child nutrition is 29 percent below what it otherwise would have been.

As I see it, Mr. Secretary, compared to where we are, significant reductions have been made in both food stamps and child nutrition.

You can comment if you wish.

Secretary BLOCK. I will comment that there would have been more money spent had there not been adjustments in program qualifications. I would add that many of those adjustments were the ideas of the Congress as well as recommendations of the administration. Both the Congress and administration have been looking for ways to insure that the available resources would be targeted to the people who really need the resources, as opposed to a broader, less targeted program.

Senator EAGLETON. Mr. Secretary, you can dodge and duck all you want, but one thing you can't escape is your own budget. The President puts his name on it, but his Cabinet officers are the ones who make the recommendations to him from various departmental budgets. What we are talking about is comparing the 1980 appropriated money and the fiscal year 1985 Reagan budget, the intervening Reagan budgets, and the history, insofar as nutrition, food stamps, and WIC, is cut, cut, cut. It is a steady path. You bring us all kinds of lovely charts, you have lines going up and lines going down, you have agricultural exports going up, you have manufactured products exports going down, you didn't bring us any chart on the requested downward slide of food stamps and WIC—that is the mystery. You didn't want to show us that one.

WIC PROGRAM

Secretary BLOCK. Senator, the WIC program has more than doubled over these years.

Senator EAGLETON. Not in terms of current service utilization, in terms of caseload. I asked you about 1983, 10.2 percent unemployment. You have to compare what the need is out there, what is the constituency in terms of people unemployed, people in the depth of poverty. The comparison that I made in my last comment we think is accurate. If you want to send us a critique of that part of the record, we will welcome it.

Secretary BLOCK. No, sir, I just feel that it is easy to focus on the number of people who could have been served.

Senator EAGLETON. I am focusing on the number of people who need to be served.

Secretary BLOCK. Well, someone always has to decide where to draw the line, and it is not a unilateral decision. No one can quarrel with the increase in resources that are being spent today compared to what was spent before—in the case of food stamps, the 45-percent increase in resources.

Senator EAGLETON. Thank you, Mr. Chairman.

VISIT OF MINISTER OF AGRICULTURE OF MOROCCO

Secretary BLOCK. Senator, the Minister of Agriculture from Morocco is coming in this afternoon at 3:30 to meet with me.

Senator COCHRAN. We thought you needed to leave at 4 o'clock. That is what we were told. I am sorry. I thought you had to leave at 4 o'clock to catch an airplane.

Secretary BLOCK. I will make the plane.

Senator ABDNOR. If you have a chance to see the Minister——

Senator COCHRAN. Who is it you are to see?

Secretary BLOCK. The Minister of Agriculture from Morocco. We sold them some wheat.

Senator COCHRAN. Let's sell him some more before he leaves here. If you need to get away, we will respect that. It is 3:30. He was going to arrive at 3:30. Is he still around?

Secretary BLOCK. He will be around for a while.

Senator COCHRAN. Do you have any further questions?

TOBACCO PRICE SUPPORT PROGRAM

Senator EAGLETON. I have one. I have several to be submitted in writing. I have one I do want to cover.

In 1982, Congress passed what was called the No-Net-Cost Tobacco Program Act. The purpose was to insure that the tobacco program was carried out at no-net cost, with the exception of administrative cost. Yet, Mr. Secretary, your own Inspector General and the General Accounting Office pointed out that due to the manner in which repayment of principal and interest are applied against amounts due on tobacco loans, and since the full interest costs associated with the program are not being charged the tobacco cooperatives on their loans, there remains a substantial taxpayer subsidy for the tobacco price support program.

So my question is: In light of the tremendous deficit problems that we are facing, over $180 billion, what justification is there for the position that you have taken on these tobacco loans?

Secretary BLOCK. We are going to find it necessary to work with the program. There are changes made every year in various parts of the program, including assessments and price support loan rates. We are going to have to make appropriate changes over a period of time in the program.

Senator EAGLETON. It is a discretionary matter with the Department of Agriculture, according to a preliminary report I have received regarding a GAO review of this issue. You have the authority to really make this a no-net cost program if you want to. It costs about $100 million to fiddle with the interest on this program and I know $100 million when we have a budget deficit of $180 billion may seem like chicken feed, but out in Missouri, $100 million is big dollars.

Why, in the interest of budget restraint, don't you save this $100 million?

Secretary BLOCK. Pardon me? I missed the last part of your question.

Senator EAGLETON. Why, in the interest of budget restraint, don't you save this $100 million which you have the authority to do?

Secretary BLOCK. I think that the way to save it, and I have to get the details, is related to different means of charging interest, is that not correct, Senator?

Senator EAGLETON. Collecting the full amount of interest due.

Secretary BLOCK. I think it is an accounting consideration. If interest is compounded there would be a bigger receipt than there is for simple interest.

Senator EAGLETON. You call it accounting. I call it $100 million. That is what it was for 1982 alone and it will increase with each new crop year. It would be over $1 million next year.

Would you look into this?

Secretary BLOCK. Yes, sir, I will be happy to follow through on the matter.

[The information follows:]

TOBACCO LOAN REPAYMENTS

As we indicated in our exchange of correspondence on the tobacco program, we do not believe that it was the intent of Congress in the 1982 legislation to bring about the destruction of a program upon which many hard-working family farmers are dependent for their livelihood.

In an effort to comply with the intent of the 1982 legislation, the Commodity Credit Corporation changed its method of applying tobacco sales proceeds to outstanding price support loans. Effective January 1, 1984, loan repayments were applied to both outstanding principal and accrued interest. This change will increase the net receipts of CCC from the tobacco program while both protecting CCC's financial interests and the viability of the tobacco price support program.

Our view has been and continues to be that a more fundamental change in CCC's interest policy as it applies to the tobacco program, such as a change from simple interest to compound interest, cannot be justified.

SUBMITTED QUESTIONS

Senator EAGLETON. We may propound a couple of questions to you in writing.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator Eagleton.

Mr. Secretary, I have a few more questions that I will submit in writing to you concerning the Department's programs.

It looks like some people have forgotten that we still have trouble with insects and other problems that we need to emphasize rather than going off into these totally esoteric areas of research. We need a balanced program there, in my judgment, and we will submit those remarks and questions in writing.

I have some very serious concerns about the fact that our credit situation in agriculture is in a state of real uncertainty. We have a lot of farmers who have fallen through the cracks. Either the operating loan levels are too small to do anybody any good if they qualify for one, or the PCA won't stick their neck out, or the bank won't make available a loan. Traditional sources are not dependable anymore for a lot of farmers, particularly those with heavy debt burdens now. I have some comments about that and questions I will submit in writing.

I am disappointed you didn't see fit to support the legislation I proposed to establish a task force on farm credit at this time. I know you have a working group on this, and you talked about that in your response in writing to me earlier. I hope that that group will help identify the real problems we have in agriculture credit. We need to work together on that and get some cooperation from the administration rather than opposition to every suggestion that comes from the Congress.

I hope you sell some wheat to that fellow. Go get him. Thank you very much for your cooperation.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CONSERVATION

Question: The National Conservation Program prepared by the Department indicated a high, medium and low level of funding to accomplish a base conservation program. Last year's budget request was below the lowest level of funding recommended by the National Conservation Program. This year, the Department is again requesting a level of funding considerably below the lowest level recommended by the National program. How can this budget request, which is below the minimum recommended, accomplish the goals and objectives of the National Conservation Program?

Answer: In the 1982 statement of policy, the President indicated that future budgets for conservation would be consistent with overall economic and fiscal policy requirements and the need for resources for other national goals and interests. The 1985 budget for conservation activities proposes new budget authority of $725 million, $10 million or one percent less than the lower bound of the recommended program. It is consistent with overall fiscal policy. It provides adequate resources for the most important conservation activities, technical assistance, soil surveys, and research and analysis, while recommending reductions for other activities that might be postponed or carried out by state and local governments or landowners themselves.

Question: The people in Mississippi have grave concerns about the targeting approach to conservation. They will accept targeting if we can insure that the present conservation efforts are not adversely affected by requiring funds to be applied on a targeting basis. What efforts are being made by the Department that the targeting concept is not conducted at the expense of the base conservation program?

Answer: In targeted areas, we expect to reduce erosion by 7.4 tons per acre in 1985. In non-targeted areas, the soil savings are expected to be 4.6 tons per acre -- up from 3.4 tons per acre in 1983. The total soil savings in 1985 should be over 20 percent greater than 1984. Every effort is being made to assure that the targeting concept is not conducted at the expense of increasing soil erosion in the non-targeted areas.

Question: According to a November 28, 1983 GAO study, USDA conservation programs are not reaching their full potential in solving erosion problems in the United States. Various recommendations were made, including better collection of data to evaluate programs and better allocation of resources available to you. Why are we losing ground, literally, in our fight against erosion? What actions has the Department taken in response to that GAO study?

Answer: The Department has made a thorough review of the recommendations contained in the GAO report. We plan to implement most of the GAO recommendations as soon as research is completed and the technology is available. Many of the proposed actions are already being implemented in the Department. A point-by-point statement of action was submitted to the Committee on Government operations on February 24, 1984. We are not losing ground in our efforts to reduce erosion. As indicated earlier, total soil savings are expected to be significantly greater in 1985; nevertheless, there will always be room for improvement, and constructive advice from GAO will be well received.

Question: Again this year, the Administration has proposed massive cuts in the conservation programs, including a cut in the Conservation Operations account (our largest conservation account), which provides technical assistance for conservation practices. Even last year, in the midst of cutting other programs, you increased that account. Why especially in light of the GAO study mentioned earlier, have you chosen to cut conservation programs so drastically?

Answer: The conservation operations account is proposed for only a $5 million reduction from the $355 million appropriated in FY 1984. This 1.4 percent reduction reflects the extremely high priority which the Administration places on these activities relative to others that were substantially reduced. As we have indicated in an answer to a previous question, total soil savings in 1985 should be over 20 percent greater than 1984 even though we propose to spend less money. Farmers are doing a better job. State and local governments are becomming stronger conservation partners. We truly expect to accomplish more with less by doing a better job with what we have got.

USER FEE PROGRAMS

Question: You mentioned in your statement that during the first three years of this Administration, the funding of marketing programs and inspection services has been shifted from the taxpayer to those benefiting from the services. What response have you had in regard to this change?

Answer: Industry's response to this change has generally been positive. Since 1982, industry has assumed the cost for cotton, tobacco and naval stores grading; grain warehouse examinations; national supervisory costs for poultry and fresh fruit and vegetable grading; printed food commodity market news reports; and supervisory and administrative expenses associated with grain inspection. Of these programs, the only significant change in service requests occurred for the market news reports. For example, in FY 1983, the first year fees were charged, the demand for printed livestock, meat, grain and poultry reports fell 75 percent, fruit and vegetable reports fell 66 percent, and dairy reports fell 55 percent. The demand for discretionary inspection and weighing of grain also diminished somewhat as a result of the additional user fees.

On the other hand, during the first year of user fee charges, AMS classed 97 percent of the cotton crop compared to 98 percent in FY 1981 when the service was free of charge. Because tobacco sold through auction markets must be graded, the percentage of the tobacco crop graded did not change after user fees were imposed. The number of grain warehouses licensed under the U.S. Warehouse Act decreased from 1,815 at the end of FY 1981 to 1,748 at the end of FY 1982, a decrease of 67 licenses. This decrease exactly matched the license decrease that occurred between FY 1980 and FY 1981, the year prior to the imposition of full user fee cost recovery. This decline in the number of licensed grain warehouses can largely be attributed to the continuing trend toward consolidation of multiple warehouses under a single warehouse license. The licensed capacity of grain warehouses rose from 3.1 billion bushels in FY 1981 to 3.3 billion bushels in FY 1982.

Industry's continued request for service indicates that the quality of services being provided is worth the additional cost.

CROP STATISTICS

Question: There have been some concerns about the apparent discrepancies in some of your crop reporting statistics. Why has this happened, and what are you doing to prevent its further occurrence?

Answer: The reports for soybean production and stocks issued 10 days apart in January by the Crop Reporting Board indicated what was concluded to be an inconsistency of about 60 million bushels (about 3.5 percent). There have always been inconsistencies in these reports, but not of the magnitude indicated in the recent reports. The two reports are developed from independent surveys, but the stocks reports are considered to be developed using superior methodology.

SRS started strengthening production and stock survey procedures by implementing a "Crop Data Improvement Project" in Fiscal Year 1983. The first phase, covering on-farm stocks, becomes operational in 1984 based on 1983 pilot work. The second phase, funded for Fiscal Year 1984, will start with the 1984 crop. It will stress qualtity control work for current corn, soybeans, wheat, and cotton surveys as well as development of new objective yield methods for estimating yields of rice, grain sorghum, and sunflowers.

An internal SRS review team is doing a study of previous survey methodology, analysis procedures, and sources of data used by the Crop Reporting Board in 1982 and 1983. This team will establish specifications for implementing the Crop Data Improvement Project and the SRS Long-Range Plan "Framework for the Future."

FOOD COSTS IN 1984 AND 1985

Question: In view of the the drought, floods, freezes and other disasters, how much do you anticipate food costs will rise in 1984? 1985?

Answer: The USDA is forecasting a 1984 increase in food prices of 4 to 7 percent. This compares with an increase of 2.1 percent in 1983, the smallest rise in 16 years. The 1984 rise is most likely to be in the lower part of the range but will be more than double the price rise in 1983. The expected increase in food prices in 1984 reflects a rise in farm prices, following a slight decline in 1983, and a moderate rise in costs of food processing and distribution. We will do what we can to prevent that rate of increase from rising in 1985, as long as that objective does not conflict with ensuring a fair income to producers to protect the economic viability of U.S. Agriculture.

RESEARCH AND EXTENSION

Question: The most obvious change from last year in your research request is the new emphasis on biotechnology research. Could you explain to us your reasons for the sudden emphasis in this area? Why have you chosen Competitive Grants as the means by which to conduct this research?

Answer: Biotechnology is a rapidly emerging area of research which shows great promise in developing new technologies not otherwise achievable, and is expected to greatly reduce the time required to develop new products and other applications in many fields, including agriculture. It is essential that the agricultural research community get involved in this area as quickly as possible, bringing its particular expertise to bear on innovative basic research in the context of the specific needs of agriculture. The results of this research will be critical to long-term agricultural productivity and to the competitive position of the U.S. in world markets.

The Competitive Research Grants program is the most effective mechanism for obtaining the participation of outstanding researchers in the entire U.S. scientific community. This is the only research grant authority we have which provides for the consideration of proposals submitted by the full range of private universities and non-profit institutions, public universities outside the land-grant system, Agricultural Research Service scientists, scientists at the State agricultural experiment stations(SAES), and non-SAES scientists at the land-grant universities. The quality of the research proposals submitted and funded through this program in the past supports funding for biotechnology research through the Competitive Research Grants program.

Question: I am disturbed that existing Agricultural Research Service's higher education programs will be discontinued. According to your statement, however, up to 25 percent of the $50 million competitive grants program will be used for direct support of graduate and post-doctoral research assistants. Will you please explain how you came up with this percentage?

Answer: In 1983, 219 Competitive Research Grants were awarded. As part of the review process, a budget in each proposed award was submitted indicating how the funds would be spent. This budget includes staffing support. An examination has been made of the awards for 1983 and the cumulative total of 25% was obtained.

Question: How does this compare with previous years?

Answer: Through similar examination of earlier grants, it appears that 25% is a good average figure of the total grant support budgeted for graduate and post-doctoral research assistants.

PUBLIC LAW 480 SUPPLEMENTAL

Question: The Administration has requested a supplemental appropriation of $90 million for emergency food aid to Africa. Is this a sufficient amount to meet the need in Africa? Several bills have been introduced in the past couple of weeks with amounts ranging from $90 to $350 million.

Answer: The additional $90 million is a sufficient amount of supplemental funding for the Title II program in Africa this fiscal year. The Administration based its request on a country by country review of the food situation in Africa, taking into account recipient country domestic production and import availabilities, plus their ability to absorb and distribute the food aid commodities. This review employed information received from AID Missions in Africa, reports issued by the FAO and the Economic Research Service of the Department of Agriculture, and information gathered by Washington staff during trips to Africa. It will be difficult to obligate the funding and move the commodities by the end of this fiscal year at a level much beyond the $90 million.

Question: If the need in Africa continues to the extent that the amount of funds we make available falls short of the aid normally provided by the United States, are you prepared to send an amended FY 1985 budget request to Congress to meet the anticipated need?

Answer: The P.L. 480 budget request for FY 1985 which the Administration submitted to Congress provides for unallocated reserves in both the Title I/III and Title II programs to meet emergency and other unforeseen needs. In Title I/III a reserve of $105 million has been included which should provide for over 500,000 metric tons of food commodities. The Title II reserve is $95 million and will provide for approximately 440,000 metric tons. Taken together, there will be nearly one million metric tons available for emergency needs. This is certainly an adequate amount with which to begin the fiscal year. However, if during the course of the fiscal year these reserves are depleted and there are unmet needs in Africa and elsewhere, the Administration would no doubt consider requesting a supplemental appropriation as it did this year.

Question: Under what circumstances would you utilize the emergency wheat reserve?

Answer: The law is quite specific on how we may use the Food Security Wheat Reserve in emergency situations. It provides that in any fiscal year up to 300,000 metric tons of wheat may be released from the reserve for use in the P.L. 480 Title II program to provide urgent humanitarian relief to any developing country suffering a major disaster. The legislation further stipulates that the 300,000 metric tons may be used only when wheat cannot be programmed in a timely manner under the normal means of obtaining commodities for the Title II program. This latter provision is generally interpreted as referring to the appropriations process.

With respect to the present situation in Africa, our review of food needs there concluded the commodities most in need are corn, sorghum, and their products. This is not surprising since the diet of many rural Africans is mainly corn and millets. Under these circumstances, we do not believe tapping the Food Security Wheat Reserve is appropriate to assist with this emergency. Instead, we have requested the urgent supplemental of $90 million now before the Congress.

Question: Yesterday--February 29, 1984--a bill was passed by the House Appropriations Committee which provides $150 million for food aid to Africa to be available through December 31, 1984. It also makes an additional $90 million in commodities available for purchase for the purpose of meeting the need in Africa. Do you have any objection to that? Please elaborate.

Answer: The provision added by the House of Representatives directed that up to $90 million of commodities from CCC inventory shall be made available to African countries for sale on a competitive bid basis or barter, or shall be available to third countries allowing them to provide emergency food assistance to Africa. This provision would present us with a number of difficulties. First, we believe the $90 million the Administration requested is all that can be effectively used for meeting these additional needs in Africa this fiscal year. Second, we are concerned about the implications of this provision for our international trade relations. The possibility exists that sales of this nature may be viewed as subsidized, thereby provoking retaliation from other exporters. Third, we believe that food assistance should be provided through the P.L. 480 program. That is why the program was established, and it works well. This provision is an attempt to provide assistance outside a proven channel, but we would prefer to use the established mechanism.

COMMODITY CREDIT CORPORATION

Question: It seems that in the midst of low prices at home and a strong dollar abroad, more export incentives would be needed. You mention in your statement that expansion of U.S. commodity exports is a "top priority" of this Administration; however, you have chosen to cut the amount of export credit guarantees by $1 billion. Why? What sales promotion efforts are being made?

Answer: The FY 1983 GSM-102 ceiling limitation was originally authorized at the $2.8 billion level, and was raised to $4.8 billion in two subsequent actions. The FY 84 authorization level was $3.0 billion at first, but was increased to $4.0 billion in December. In other words, although our projected FY 85 ceiling limitation level is $3.0 billion at this time, that level could change if necessary.

However, the economic recovery now in progress in Western Europe and Japan is expected to have beneficial effects on our credit customers. This should enable them to replace credit purchases with cash purchases, resulting in a decreased global demand for credit. If this scenario is realized, a $3.0 billion GSM-102 level focused on market development in credit-worthy countries should be sufficient.

With regard to sales promotion efforts, CCC credit programs are the best short-term tools. In addition to GSM-102 we have promoted sales through the Blended Credit Program. The FY 1984 Blended Credit Program is very specific in focus. We have announced four programs--Morocco, Egypt, Algeria, and Tunisia--for a total market value of $601.4 million. The purpose of these programs is to help U.S. wheat exporters meet subsidized competition.

P.L. 480 is used to stimulate longer-term market development. Seven of our top 10 customers for farm products last year are past recipients of U.S. food aid.

Our agricultural export development program overseas is carried out in cooperation with some 50 agriculturally oriented, nonprofit commodity associations known as market development cooperators. Agreements between the cooperator and FAS authorize the cooperator, in partnership with FAS, to conduct authorized overseas promotional activities. Cooperator projects are designed to acquaint potential foreign customers with U.S. agricultural products in order to stimulate demand.

Other sales promotion efforts include trade exhibits, publicizing information about export opportunity and sales teams.

We have recently opened our 12th trade office. The office is in Algeria, which currently imports $2.3 billion worth of agricultural commodities per year.

Finally, we have launched a new effort to increase U.S. exports of high-value and value-added agricultural products. This effort includes promotion team meetings with processed food companies, exporters, trade associations, and state and regional marketing groups.

Question: Last year, the blended credit program faced a standstill because of depleted guaranteed loan funds. Is there any chance of that occurring during fiscal year 1984?

Answer: Thus far, we have had an adequate credit guarantee, GSM-102 ceiling limitation to support our FY 1984 Blended Credit Program. The overall FY 1984 Blended Credit Program level has declined from the FY 1983 level due to the fact that this year's program is more specific in focus--to meet subsidized competition in the wheat market.

Our FY 1984 GSM-102 ceiling level has been virtually all committed. Therefore, if any new Blended Credit Programs were proposed, an increased GSM-102 ceiling would be required. However, no new Blended Credit Programs are anticipated at this time.

Question: What do you foresee in the export market for fiscal year 1985 and the remainder of fiscal year 1984?

Answer: U.S. agricultural exports are forecast at $37.5 billion in fiscal year 1984, up eight percent from $34.8 billion last fiscal year. Higher prices, especially for corn and soybeans, are expected to account for the increase in export value, as total agricultural export volume is forecast to decline slightly. Total U.S. agricultural export volume for the first third of the fiscal year--October to January--was down slightly from the same period a year earlier, but export value was up moderately, about one seventh. Total U.S. agricultural export volume is expected to remain fairly strong for the remainder of fiscal 1984; soybean shipments will likely continue to fall below previous year levels due to sharply higher prices but coarse grain and cotton shipments are expected to remain above previous year levels because of reduced foreign competition. U.S. agricultural export volume in fiscal 1985 may increase from this year's level, benefiting from stronger foreign income growth, a drought-reduced South African corn crop, and more competitive U.S. prices, especially for oilseeds. In addition, an expected economic expansion in major markets and prospects for some softening in the value of the dollar could also benefit U.S. agricultural exports in fiscal year 1985. Lower prices expected for many commodities in fiscal 1985, however, may restrain any total value gain in U.S. agricultural exports.

EUROPEAN ECONOMIC COMMUNITY ISSUES

Question: Mr. Secretary, I know that you recently had the opportunity to attend and participate in ceremonies at Green Week--a food and agricultural fair--in Berlin, and that your presence at that event was seen as very important by our European friends.

Based on your conversations with European Community--EC--and member-state officials at Green Week, what is your current assessment of US-EC agricultural trade relations?

Answer: Based on my discussions with EC officials during Green Week, I feel that the Community is finally aware that they have serious problems in their agricultural sector which must be resolved. I believe they are working toward correcting those problems while recognizing that they should seek to avoid creating tension with the United States and other trade partners. This, I believe, is an improvement over the situation a year ago when the EC was reluctant to even admit that their open-ended support programs were a source of problems in the world market.

Nevertheless, the EC will be making some tough decisions on reform of their programs in the coming months and the possibility that they will attempt to shift some of the adjustment burden to trading partners is still there. We will be following these developments closely and, when appropriate, take whatever actions necessary to protect our trade interests.

Question: The series of proposals now under review by the Community to reform the EC's Common Agricultural Policy--the "CAP"--include important changes such as a quota and super-levy on dairy production and other restraints on cereal production.

Is it likely that these proposals will be enacted?

If so, will they be enough, and in time, to keep the Community budget from going into the red, which I understand will happen by October if no changes are made?

Answer: On March 13, 1984, the EC Council of Agriculture Ministers came to rough agreement on a package of reforms in the milk sector. The package includes production quotas and a super-levy on excess production. Adoption of the changes is not yet certain; several matters--such as a request for special treatment from Ireland--have been left for decision by the Heads of Government at the European Council. However, it does appear that the outlines of a new system have been accepted.

The EC is considering no really serious proposals to restrain production in the grains sector. Commission proposals call only for a continuation of the guarantee threshold system and for a "speeding-up of the narrowing of the gap between EC prices and those applied by its main competitors." Since the Community is not committing itself to any deadline to accomplish the price alignment goal, the proposal is of questionable value. A similar policy was adopted in 1981.

In any case, changes in neither sector will have much effect on CAP expenditures for 1984. In fact, the proposals agreed upon by the Agriculture Council will probably cost the EC additional money this year. It now appears that when the financial limits are reached, the Community will likely ask for special contributions from member states to fund programs for the remainder of the year.

Question: I have been advised that the proposal--in the above package--for an oils tax has been shelved, at least for the time being. That is an important issue to the U.S., since we export some $4 billion of soybeans to the Community each year.

Is it also your understanding that this proposal is no longer under serious consideration?

Answer: Indications from EC member state officials are that the EC Commission proposal for a tax on fats and oils, other than butter, has little chance of immediate adoption. The proposal has met with opposition from the United Kingdom, West Germany, the Netherlands and Denmark, in part because of pressure from the United States. However, the proposal has not been officially withdrawn from consideration; it is still spoken of by the Commission and by certain member states, especially France. The Administration is watching the situation closely.

Question: I suppose one of the hottest issues at the moment is the proposal to place a tax on U.S. exports of corn gluten feed to the Community. This product represents about $700 million in trade for the U.S. annually. I know that the Community has placed just such a tax--6 percent--on tapioca--AKA "manioc"--which comes into the EC from Southeast Asia. What is the status of the corn gluten issue? Will the European Council issue a mandate to the Commission to negotiate with the U.S. under GATT rule 28 on this issue? If so, what concessions might the EC offer the U.S.? What is the timetable for the negotiations and what is the current U.S. position on this issue?

Answer: The EC Commission has requested a mandate from the Council to open GATT Article 28 negotiations. On March 13, 1984, EC Council of Foreign Ministers agreed unanimously to assign the Committee of Permanent Representatives made up of the Ambassadors from the respective member states posted in Brussels to develop a position paper for use in going to GATT under Article 28 on corn gluten feed and other corn by-products.

Once the position is fully developed and approved, the EC would have to formally notify GATT of their intentions to negotiate the elimination of a duty binding under Article 28. The Council of Ministers, however, agreed that no such notification would be given until the complete CAP reform package is worked out and agreed to by the member states. Current estimates are that the earliest this could happen would be at the June EC Summit.

Although this is a step on the part of the EC toward import restrictive action on corn gluten feed, several steps still remain to be taken before any such action is taken. We continue to watch the situation closely. The EC is aware of our deep concern about this matter and all other matters which have potential for fostering further protectionism in world trade in agriculture.

As a signatory to the GATT we would be obliged to meet the EC at the negotiating table should they finally give formal notification of intent to take action under Article 28 to unbind the zero duty on corn gluten feed. The rules would call for them to compensate us for the increased protection they take. We have made it clear to them, however, that it is hard for us to believe they would compensate us adequately.

In any event, the direction in which the Council of Ministers seem intent on moving will add significantly to an already serious world-wide pressure towards greater protectionism, and is, in our view, very short-sighted. Nobody wins in the long-run when protectionism takes over in world trade.

AVIAN INFLUENZA

Question: What is the current status of the avian influenza eradication effort?

Answer: As of March 13, 1984, a total of 315 premises, with 11.9 million birds, have been found infected with the disease in Pennsylvania, New Jersey, Maryland, and Virginia. There was one positive case in New Jersey, one in Maryland, 283 in Pennsylvania, and 30 in Virginia. Virginia became infected from movement of contaminated equipment and people in mid-December and the Federal task force was activated there in late January.

The avian influenza eradication effort in Pennsylvania, New Jersey, and Maryland was finding the largest numbers of infected flocks up until about the first of January. Early in the program, an average of 4-5 premises were declared positive per day, as contrasted to an average of 5 per week the past 8 weeks. Infected flocks are now depopulated generally within 2 days of detection in Pennsylvania and within 6 days of detection in Virginia. Cleaning and disinfecting has been approved on 150 depopulated premises, and 75 premises have been released from Federal quarantine. A total of 50 premises have been repopulated.

We released the quarantine in New Jersey on March 6, 1984. The portion of Franklin County, Pennsylvania, that was within the quarantine area was released March 1, 1984.

Task force personnel are carrying out an active poultry surveillance program in search of the virus by utilizing dead-bird pickup as well as looking for antibodies in blood serum and egg yolks. This is being done in the quarantine areas of Pennsylvania, Maryland, and Virginia and a contiguous high-risk area in West

Virginia. In addition, industry and State officials have initiated extensive surveillance to detect any early incursion of infection.

A total of $61.7 million has been transferred from the Commodity Credit Corporation to the Animal and Plant Health Inspection Service for the eradication effort. As of March 13, $34.5 of this amount has actually been obligated.

In early March 1984, an 8,000 bird turkey flock located in Waterford, California, became infected with a strain of avian influenza. This strain is not as pathogenic as the eastern outbreaks but did cause egg production to drop. On March 11, 1984, the owner, under the supervision of State/Federal authorities, depopulated the entire flock. Indemnity was paid by the poultry industry. The outbreak was discovered shortly after an insemination crew had been at the site. After leaving, the crew visited 4 additional flocks the same day. One of the four flocks subsequently became infected and the owners voluntarily destroyed the birds without compensation. The remaining three flocks are still under State/Federal surveillance.

There is no epidemiological evidence connecting the California situation with the eastern outbreaks. Therefore, Federal involvement is being limited to technical assistance in areas such as diagnosis and cleaning and disinfecting.

Question: Do you foresee a date by which the disease might be eradicated?

Answer: We expect the number of newly infected premises to continue to decline and achieve eradication by the end of this summer. Surveillance will be required for an additional period of time following depopulation of the last infected flock.

Question: Has the Department given any further consideration to changing the "fair market value" formula for indemnity payments to the farmers who have suffered such severe losses?

Answer: The Department is in the process of evaluating the formula for computing indemnity payments. The indemnity payment currently represents the market value of the bird at the time of appraisal. We do not include allowances for loss of revenue, loss of potential profit, and downtime as part of the market value of an animal. We have periodically reevaluated the indemnity formula in accordance with changing costs incurred by the producer.

BRUCELLOSIS

Question: As part of the administration's effort to further utilize user fees for inspection services, the budget proposes instituting a "checkoff" system, whereby producers would pay a user fee which would go toward the payment of indemnities and other administrative costs. Are you proposing this as appropriations language, or is this a proposal that must first go before the authorizing committee?

Answer: We are not proposing this as a change in appropriation language. The Department is preparing a legislative proposal which must be first taken up by the authorizing committee.

WIC PROGRAM

Question: A Fiscal Year 1984 supplemental appropriation for the Women, Infants and Children Program (WIC) of $167 million has been requested. Is that sufficient to maintain current caseload, as recommended by the Task Force on Food Assistance, and as mandated by the agriculture appropriations conference report for this fiscal year ($300 million would be required)?

Answer: The $167 million supplemental requested would support an average participation of 2.8 million. The level requested would not support the current caseload.

Question: How soon would you anticipate that participants would start to be removed from the rolls?

Answer: The Department cannot provide an anticipated date for reductions in WIC program participation because caseload management in the WIC Program is a State agency responsibility. Each State has received a funding grant for the period October 1, 1984 - July 10, 1984. It is up to the States to decide how to manage program expeditures within the funding level provided.

FOOD PROGRAMS

Question: Will you please provide the committee the "critical" dates for all of the supplemental items as soon as possible?

Answer: Sufficient funds are available to provide full benefits through early September for the Food Stamp Program. However, if the $308 million supplemental is not provided, States must be notified by July 1, 1984 in order to implement a reduction in September benefits.

The Department estimates that sufficient funds are available to reimburse States for meals served in the Child Nutrition Programs through mid-May 1984. The States will be submitting their claims for reimbursement for May meals, in June 1984. If the Department does not receive supplemental funding prior to June 1984, the Department will be unable to pay the States the full amounts claimed for May meals.

The critical date for the WIC Program supplemental is July 10, 1984. The FY 1984 funds for the WIC Program were only appropriated through July 10, 1984; therefore, the funding grants to the States were allocated on a partial year (i.e., October 1 - July 10) basis.

When the funds in each State's grant are exhausted will depend on how the State's decide to manage their expenditures. Some States may exhaust their WIC funds before July 10; other States may have unspent funds on July 10.

CHILD NUTRITION PROGRAM

Question: You have requested a Fiscal Year 1984 supplemental for Child Nutrition Programs of $545.5 million. How urgent is that? When will these funds be needed?

Answer: Currently, there are $2.8 billion available for meal reibursement. The Department estimates that an additional $545.5 million is needed to pay for meals claimed through September 1984. An additional $6 million will also be needed if there is no deletion of appropriations language to use monies to fund an extension of the Commodity Letter of Credit Study.

Funds will be needed by June 1984 to pay for May meal claims. The Department estimates that the current funding will only be sufficient to pay for meals served through mid-May.

POVERTY

Question: Last week, the Census Bureau reported that the share of the U.S. population living below the poverty line has risen sharply over the last several years, even when in-kind benefits, like food stamps, are counted as income. The Census report covered 1979-1982, three years of which were Carter budget years. Will this Administration's policies alleviate that problem in the future? Will any changes be made in light of this report?

Answer: The poor are not a homogenous group whose betterment depends exclusively on more economic growth on the one hand or more government programs on the other.

The network of social transfer programs benefitting the elderly has dramatically reduced the incidence of poverty among the elderly. As a result of the recent actions by the Administration and Congress, these transfer programs will continue to serve as a major tool for alleviating poverty among the elderly. Economic growth is largely irrelevant to this group since few are still in the workforce.

Among the nonelderly, economic growth is more important. During the economic growth of the 1960's and early 1970's, the measured rates of poverty, fell substantially. Growth was more sluggish through the late 1970's and early 1980's. In each of the three recessions that occurred between 1973 and 1982, the poverty population rose significantly.

Clearly, economic growth, which is the major goal of the Administration, will alleviate poverty for many households. And economic recovery is well underway. With two to three years of vigorous, non-inflationary growth, poverty rates can be brought down to the levels seen in the mid-1970's.

A variety of other Administration policies also will improve the well-being of those who are now in poverty or who would otherwise experience poverty in the future. These include more meaningful job training under the Jobs Training Partnership Act to enhance attachment to the labor force, establishment of

Community Work Experience Programs in AFDC and Food Stamps to strengthen labor force attachments, and indexing the Federal income tax system to protect the earnings of low-income workers from inflation. Coupled with program reforms to better target assistance, these policies will help improve the economic status of the poor.

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Question: Despite a small increase in Smith-Lever formula funding, your Extension Service request is 10 1/2 percent ($35 million) less than last year's funding level. The primary portion of this cut is found in a 42 percent ($26 million) reduction in the nutrition education and training program (EFNEP), which teaches low-income families how to better use their food dollars, including their food stamps. Is this program not a good investment for the Government to reduce waste in the food stamp program while increasing the nutritional status of food stamp recipients?

Answer: Yes, the Expanded Food and Nutrition Education Program is a good investment. Food stamp families report that EFNEP has helped them manage their food stamps to last a month through improved shopping skills. Families also report they have prepared more low-cost meals, consumed more nutrient dense foods including fruits and vegetables, and are less dependent on prepared and fast foods.

GRACE COMMISSION REPORT

Question: Would you please summarize for the Committee the major recommendations of the Grace Commission Report that affect the Department of Agriculture and provide for the record the Department's position on each of these recommendations?

Answer: I will supply for the record a table that reflects the Grace Commission proposals, their estimate of savings, the USDA estimate of savings, and the Department's position on each recommendation. [The information follows:]

	President's Private Sector Survey on Cost Control Issue	Proposed Grace Commission Savings 1st Year	USDA Savings 1st Year
		($ in Mil.)	
AG 1 FmHA	- Promote loan graduation for each new FmHA loan booked	$232.0	- -
*AG 2 FmHA	- Management Information	.7	- -
AG 3 FmHA	- Move from District lending to fixed amount guarantees and established a certified lender program	136.0	- -
AG 4 FmHA	- Transfer FmHA housing function to HUD:		
	Reduction in cost of borrowing	29.4	- -
	Reduction in National office personnel	2.4	- -
AG 5 FmHA	- Eliminate duplication with SBA:		
	Reduction in cost of borrowing	29.4	- -
	Personnel reductions	2.2	- -
*AG 6 FmHA	- Invest proceeds of supervised bank accounts	35.7	- -
*AG 7-1 FmHA	- Decentralizing cash collections	17.4	(7.0)
*AG 7-2 FmHA	- Decrease float in cash collections processing	8.2	(8.0)
*AG 8 FmHA	- Collect credit report fees	7.0	(1.0)
AG 9 FNS	- Update family makeup for Thrifty Food Plan	1,000.0	- -
AG 10 FNS	- Revise the Thrifty food Plan (TFP) economies of scale	252.0	- -
AG 11 FNS	- Eliminate the $10 minimum monthly benefit	41.0	- -
*AG 12 FNS	- Reduce cost of printing food stamp coupons	9.0	2.0
AG 13 FNS	- Eliminate overlap of the school lunch benefit	521.0	- -
AG 14 FNS	- Include Child Nutrition benefits in total family income	160.0	- -
*AG 15 FNS	- Reduce commodity distribution and warehousing costs	$11.0	0.2
AG 16 AMS	- Poultry slaughter inspection	93.0	- -
*AG 17 AMS	- Meat/Poultry processing	8.0	3.5
AG 18 AMS/FDA/States	- Triplication of dairy inspections	1.5	- -
AG 19 AMS	- Prior approval of meat and poultry labels	1.0	- -

President's Private Sector Survey on Cost Control

	Issue	Proposed Grace Commission Savings 1st Year ($ in Mil.)	USDA Savings 1st Year ($ in Mil.)
*AG 20 ACS	- User fees for publications and technical assistance	1.5	.3
	Foreign and Domestic Commodity Programs:		
AG 21	- Reduce anticipated crop support payments	4,000.0 - 6,000.0	- -
AG 22	- Eliminate donations made to other agencies	364.0	- -
*AG 23	- Reduce anticipated export financing costs	58.2	- -
AG 24	- Phase out cooperative funding	37.0	- -
AG 25	- Eliminate P.L. 480 cargo preference compliance	108.0	- -
*AG 26	- Reduce P.L. 480 freight differential payments	12.0	25.0
*AG 27	- Transfer freight forwarding activities to private sector	2.5	- -
*AG 28	- Disband FAS's Ocean Transportation Division	.6	.1
AG 29	- Eliminate ERS/FAS/WAOB duplication of effort	6.7	- -
AG 30	- Reduce and reorganize representation in Europe	1.2	- -
AG 31	- Reduce U.S. Nationals secretarial pool	.4	- -
AG 32	- Reorganize Foreign Agricultural Affairs Division	a/	- -
AG 33	- Improve credit evaluation practices	b/	- -
*AG 34	- Use export promotion funds for interest-free loans	c/	- -
AG 35	- USDA county office structure	33.7	- -
AG 36 ASCS	- County office automation study	2.7	- -
*AG 37 SCS	- Reduce soil survey costs	10.0	- -
AG 38 SCS	- Soil survey user fee	4.0	- -
*AG 39 SCS	- Consolidate administrative staffs	2.4	-.5
*AG 40 ASCS	- County committee elections	7.8	5.9
*AG 41 FS	- Improve timber sales cash management	145.9	10.0
*AG 42 FS	- Improve timber appraisal methods	30.0	.5

President's Private Sector Survey on Cost Control

	Issue	Proposed Grace Commission Savings 1st Year	USDA Savings 1st Year
		($ in Mil.)	
	Foreign and Domestic Commodity Programs (Con't):		
*AG 43 FS	- Adopt lump-sum timber sales procedures	16.0	- -
*AG 44 FS	- Revise recreation fees	38.0	15.0
*AG 45 FS	- Increased firewood revenue	20.0	7.0
AG 46 FS	- Increase grazing fees	17.0	- -
*AG 47 FS	- Reduce road program expenditures	52.0	26.0
*AG 48 FS	- Improve data processing planning process	13.0	13.0
*AG 49 FS	- Restructure research activities	6.0	2.0
*AG 50 FS	- Reduce staffing levels	86.0	39.6
AG 51 SEA	- Create National Board of Agriculture	76.0	- -
*AG 52 ARS	- Reorganize the ARS	25.0	2.0
AG 53 ARS	- Transfer Human Nutrition Research Programs to HHS	15.0	- -
AG 54 CSRS	- Eliminate Funding for 21 programs	11.0	- -
*AG 55 ES	- Reduce and redirect the Cooperative Extension Service Washington-based staff	4.0	1.8
*AG 56 REA	- Reduce generation and transmission loans	3.0	- -
*AG 57 REA	- Reduce Government financing of cooperatives	40.0	(10.0)
*AG 58 REA	- Reduce regulation	1.0	- -
FCIC	- Reduce administrative cost and cost of claims by using private industry through reinsurance agreement	d/	- -
FCIC	- Revise financial management system	d/	- -
FCIC	- Actuarially sound premium rates	45.3	- -
	Total Savings	7,894.8	153.4

a/ No direct savings can be calculated; indirect savings will result from a more efficient, smoother running organization.

b/ Savings cannot be measured; loan defaults may be avoided with better credit analysis.

c/ No savings would result, but U.S. farm economy would benefit.

d/ Savings not quantified.

* Denotes changes under active consideration by the Department of Agriculture.

DISASTER RELIEF PROGRAMS

Question: It is clear that every effort is being made to replace Farmers Home Administration disaster relief programs with Federal crop insurance. Is there a date by which you plan to have in place a crop insurance programs that could adequately provide protection at a reasonable price to all farmers in the U.S.?

Answer: Since enactment of the 1980 Federal Crop Insurance legislation, insurance has expanded from 1,676 to over 3,000 counties. We presently insure all basic commodity crops in the U.S. We expect continued program expansion in 1984 and subsequent years.

We believe crop insurance today offers most farmers effective risk protection at a fair price. The expanded crop insurance program has replaced the "free insurance" of the old disaster payments program. The disaster loan program of FmHA continues to provide supplemental disaster assistance for livestock, prevented planting and other losses generally not covered by insurance and where participation in crop insurance has not increased to the extent necessary to assure survival of farming in areas with extraordinary weather related losses. However, we anticipate that with continued expansion of the crop insurance program, we will soon be able to provide adequate protection now offered by the disaster loan programs.

Question: Do you have some participation rate that needs to be obtained before the disaster relief programs are terminated? (cut of $670 million requested in the FmHA Emergency Disaster loan program.)

Answer: There is no magical figure set as a trigger point for terminating disaster assistance loans provided by the Farmers Home Administration and replacing such assistance entirely with Federal Crop Insurance. That remains a priority goal, but realization of that goal will depend in large part on the full acceptance of Federal Crop Insurance by producers and the willingness and ability of private insurance companies to support the efforts of the Federal Crop Insurance Corporation in marketing and servicing Federal Crop Insurance contracts.

The Farmers Home Administration, and some commercial lenders, have added impetus already to this concept of allowing individual producers to manage their own risk through the use of crop insurance. They are insisting, in some cases where the prospective crop is used as collateral on a farm loan, that crop insurance be a condition of the farm operating loan.

The reference to a $670 million reduction in the 1985 Emergency Disaster Loan Program is somewhat misleading. The change in the budget request reflects an estimated program level based on normal weather projections. The high demand due to the widespread 1983 drought is not expected to continue. However, as in previous years, the 1985 Disaster Emergency Loan program will be available with funds necessary to provide supplemental assistance to farmers in areas inadequately serviced by the FCIC, or for losses not covered by FCIC programs.

CROP INSURANCE PARTICIPATION

Question: What actions are you taking to increase farmer participation?

Answer: We have improved the crop insurance offer to the farmer in a number of ways. Coverage has been revised to eliminate the deductible for unharvested acres, to provide for replanting and late planting, and, perhaps most important, to base yield coverage on the individuals farmer's production history.

In 1984 cotton and rice producers will have guarantees based solely upon individual production history rather than area coverage. We hope to extend this policy in 1985 to producers of corn, grain sorghum, tobacco, peanuts and forage crops in 1985 to be only offered similar yield gurantees. These changes will help FCIC reach producers who have needed risk protection but who have rejected crop insurance as a poor value priced product for their operation. For the first time the better than average producer is to be offered yield guarantees which fairly reflect his capability and which are on equitable in relati to his less productive neighbor.

Question: I have been contacted by many farmers from my state complaining about the time required in getting a claim paid. Many farmers are still waiting on claims to be settled in order to complete loan applications for this year. What plans do you have for developing FCIC to efficiently process claims?

Answer: FCIC in 1982 paid only 38 percent of claims within 30 days of the time the claim was signed by the farmer. For 1983, through an approved data flow process, FCIC estimates that 65 to 70 percent of claims are paid within 30 days of the time the claim was signed by the farmer.

We have experienced improved claims processing provided through our reinsurance operations. Reinsured companies operate under state regulations requiring prompt payment of claims. The claims function for FCIC policies sold through master marketers is performed by independent loss adjusters under contract with FCIC. Although FCIC handles most of the complex cases with its own employees, various proposals are being considered that would also permit the contracting of the problem cases.

Question: What is the current status of the crop insurance program?

Answer: FCIC now offers over 18,000 county programs on 34 crops in over 3,000 counties. Insured acres totaled 30 million in 1983, 15 percent of potential acres. Crop insurance in force totaled $4.6 million in 1983.

Private insurance companies are delivering an increasing amount of crop insurance under reinsurance agreements with FCIC. Nearly 35 percent of the crop insurance currently in force was delivered under these reinsurance agreements, up from 3 percent in 1981.

We believe the transition to a private sector delivery system will provide de a continuing improvement in service to FCIC policyholders.

Question: Why do you expect participation to rise so rapidly?

Answer: We are not projecting extraordinary increases in FCIC participation rates. Although the number of insured acres is estimated to increase from 30 million in 1983 to 56 million in 1984, most of the increase is due to PIK acreage brought back into production this year. We expect participation rates, the ratio of insured to potential acres, to increase from 15 percent in 1983 to 20 percent in 1984.

We believe these targets are achievable. Crop insurance will be increasingly viewed as an effective risk management tool for all producers. With the expanded individual yield coverage program and other improvements in FCIC crop policies, crop insurance more than ever before has become a quality product offered at a fair price.

Question: What actions are you taking to increase the number of crops covered?

Answer: In the last year, new programs have been implemented for citrus trees, fresh vegetables, and hybrid seed corn. FCIC has approved for use in 1984 a separate table grape contract and new programs for popcorn, walnuts, American pima cotton, and cranberries. Priorities have been established for development of new programs for 1985 and beyond for producers in Hawaii (probably sugarcane, pineapples, papayas, and macadamian nuts) and for malting barley, fresh market sweet corn, pears, onions, and horticultural specialty crops.

RURAL ELECTRIC ADMINISTRATION

Question: Once again, you have proposed enormous decreases in REA. Do you have any arguments as to why we should accept this year?

Answer: The reductions are based on the fact that REA has been receiving fewer applications than in recent years as the growth in energy usage has slowed. This means that REA borrowers do not have to upgrade their systems as rapidly as they had been doing. Likewise, the need for new generation capacity has slowed. This also is reflected in the lower advance of funds level; that is, the actual cash drawndown by borrowers.

The reductions are also based on the availability of non-government funds, whether they be from the borrowers own financing organization, the private money markets, or through the utilization of various tax code mechanisms.

Reduced loan levels will go a long way toward stabilization of the REA revolving fund without seriously hurting electric and telephone borrowers.

OPERATING LOANS

Question: My state is already facing an extreme shortage in operating loan funds. Do you have information at this time that indicates that we may be faced with the same problem as extensively across as many states as occurred last year? What plans do you have to guarantee that states will have sufficient funds to meet their needs for the 1984 crop year?

Answer: FmHA currently estimates that sufficient funds are available to meet the needs for operating credit. The operating loan program of FmHA has been increased every year since 1981. In 1984 $1.8 billion will be available for direct operating loans.

This year early spring planting states have used their second quarter allotment of funds by early March and have been allowed to use their third quarter funds and to draw on national reserves. States in this situation include Lousiana, Mississippi, Texas, Georgia, South Carolina, and perhaps North Carolina and Arkansas. We will continue to monitor applications and obligations levels and will take whatever further action may be necessary to ensure that sufficient operating credit is available.

Question: I notice you have requested an increase in operating loan funds for fiscal year 1985. Are you confident that this will be ample to meet the needs for the 1984 crop year so that we will not be confronted with a similar situation that developed last year?

Answer: We are proposing to increase the level of operating loans from $1.8 billion in 1984 to over $1.9 billion in 1985. This level of funding is more than twice the farm operating loan program level of $823 million in 1981, and should be fully adequate to meet the demand for operating credit in 1985. We will continue to monitor farm credit conditions and maintain a close working relationship with the private lending community. If we find that conditions require additional operating credit, we will take the necessary action.

LOAN PROCESSING

Question: I continue to receive many complaints from farmers in my state that FmHA loan processing is not being completed timely enough for them to conduct their farm business efficiently. What can FmHA do to insure that these borrowers have their financing arrangements completed on a timely basis? For example, in Mississippi, arrangements need to be completed by the end of January.

Answer: Total FmHA staff years have been increased from 11,213 in FY 1982 to 11,566 in FY 1983, and to an estimated level of 12,114 in FY 1984. We have hired temporary loan specialists to assist in processing emergency loan applications. We have made every effort to encourage farmers to come in earlier and apply for loans before the rush for loans at spring planting.

We believe we have been successful in these efforts. In Mississippi, for example, the number of applications received by the end of January this year totals 1,900 compared to 1,200 last year, and the State operating loan obligations have increased to $33 million at the end of February this year compared to $20 million obligated in the same period last year. We think these figures reflect improved performance in completing the financing arrangements for farmers earlier this year.

SPECIAL ASSISTANCE

Question: In your statement, you mention the problem of farmers' extending their credit because of increased land values in the 1970's. Obviously, that was considered a good move when it happened. Now, however, farmers are faced with financial problems not necessarily caused by incompetent management practices. What efforts are you making to meet the special needs and circumstances of these farmers?

Answer: Government, commercial and cooperative agricultural lenders have in the past relied perhaps too strongly on the security provided by rapidly inflating land and product prices. With the adjustments to lower prices and reduced inflation in the early 1980's many producers find themselves with critical cash flow problems.

We will stay with these borrowers, even if they are behind scheduled payments due to circumstances beyond their control, if they have kept their agreements with FmHA, are using acceptable management practices, are properly maintaining and accounting for security, and projections show that they can repay any new loan plus interest from the coming year's income.

Last year, we provided special assistance through rescheduling, reamortization, deferral and subordination authorities to a total of 65,000 borrowers. Less than 3 percent of our borrowers were forced to quit farming because of financial difficulties. In other words, we were able to stay with over 97 percent of our farm borrowers. We will make every effort to improve on that figure this year.

ECONOMIC EMERGENCY LOANS

Question: You mention in your statement that private lenders are showing greater interest in making farm loans, yet we have heard from farmers and from local FmHA people that banks and Production Credit Associations are not willing to "jump into" the guaranteed programs, especially the Economic Emergency loan program. Could you give us a progress report on the EE program?

Answer: As you know, the EE program was re-established for a limited period last December 22 by a court order with a total authorization of $600 million for both insured and guaranteed loans. The order specified that administration of the program be consistent with regulations in effect during 1981. These regulations specified that it is the policy of FmHA to make insured EE loans only when guaranteed EE loans are not available through private and cooperative agriculture lenders. Accordingly, the initial apportionment of EE funds allocated $550 million for guaranteed loans and $50 million for insured loans. We will continue to monitor the use of these funds and adjust the initial apportionment as needed.

Question: What efforts are being made to encourage local banks to offer more assistance?

Answer: We have excellent cooperation from the commercial sector and the farm credit system as we move into this farm lending season. We have been increasingly requested by the commercial banking community to raise the amount of guaranteed authority available so that they are better able to continue to serve the needs of their farm borrowers. In the last several months Under Secretary Naylor has met with the executive committee of the American Bankers Association, the Independent Bankers Association, and the leadership of the farm credit system to review problems and prospects of the guaranteed farm lending programs.

We have implemented several measures to remove paperwork burdens which have slowed the guaranteed programs in the past. We have had a task force from the commercial and cooperative banking sectors working since last summer to develop a designated bankers program to facilitate private sector participation in our farm lending programs. We are confident we have the vital support of these other agricultural lenders, and that our efforts to expand the guaranteed portion of our lending will eventually be successful.

RURAL HOUSING LOANS

Question: Why do you propose to cut $1 billion from rural housing loans?

Answer: A primary objective of this Administration has been to reduce the intrusion of the Federal government into the credit market. In 1983 the Federal government absorbed 56.5 percent of the total investment capital raised in this country. This level of absorption places enormous upward pressure on interest rates and, in turn, discourages investment in the private sector, particularly in interest sensitive sectors like housing. We feel our efforts to reduce interest rates will benefit rural housing consumers in the long term.

Question: Last year, the Congress passed housing legislation requiring 40 percent of the single family (502) loan money go to very low income households. Is this causing any problems for any states?

Answer: The FmHA National Office has conducted a survey of the state offices to determine their ability to meet the statutory requirement. It does appear that some states may not be able to achieve the requirement while others were optimistic that the requirement could be met. The reason the requirement may not be met in some states is the gap between family income and the cost of the house. This is due, in some cases, to higher than average construction costs and, in others, to lower than average family income. In these cases, the mortgage payment, even when subsidized down to 1 percent, consumes a disproportionate share of family income, leaving little for other necessities.

We will continue to monitor this situation to determine what remedies may be necessary.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

NATIONAL SMALL GRAINS COLLECTION

Question: Secretary Block, on January 25th I called you with some questions concerning germplasm. In lieu of speaking with you I spoke with Dick Lyng and asked him to supply me with some information about the current status on the program. I received a reply on February 13 which stated that despite the strong support being given to relocate the National Small Grains Collection to Aberdeen, Idaho; the USDA has decided to keep the present facility at Beltsville until 1988.

In 1981 a very comprehensive study (the Murphy Report) concerning the National Plant Germplasm System was completed. Recommendations were made to relocate the Small Grain collection to Aberdeen, Idaho or to reconstruct the present facility in Beltsville, Maryland.

Could you please tell me or supply for the record the expected costs of upgrading the present facility in Beltsville, Maryland, and explain why an addition to the Beltsville facility was made prior to deciding where the facility would best serve the Nation?

Answer: The costs of upgrading the present facility in Beltsville, Maryland, were $80,000 in 1981, for improved insulation, air-handling equipment, temperature/humidity controls, and alarm system; and $40,000 in 1983 for purchase and installation of a free-standing, cold storage building of 6,300 cubic feet capacity.

The National Small Grains Collection has effectively served the Nation from Beltsville for more than 30 years. It could also serve the Nation effectively from a number of other locations. Under the present budget situation, we feel it is more prudent to upgrade existing facilities than to take the much more costly step of building a new facility.

Question: In addition, Mr. Secretary, if in fact using the current facility at Beltsville has been deemed more prudent than developing a facility at Aberdeen, please supply me with the cost comparison upon which you based your decision.

Answer: Our best estimate of cost to build a new National Small Grains Collection facility that would meet our needs for the long term (50-100 years) would be about $2.5 million at present construction costs. The $120,000 invested in upgrading the present facility at Beltsville will postpone for 5 to 10 years the need to make the $2.5 million investment.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

WIC

Question: The President's own Task Force on Hunger recommended that the current WIC caseload be maintained. Why then does the Administration's proposed budget call for major reductions in the caseload?

Answer: The Task Force recommendations arrived at practically the same time this budget was going to print and the Budget doesn't really reflect a full review of the Task Force recommendations. Those recommendations are now under review. The Administration's proposed budget calls for annual average Fiscal Year 1985 participation of 2.7 million persons. Although this level is lower than the 3.0 million now participating, it is much higher than the Fiscal Year 1983 average annual participation of 2.54 million. In view of overall budget constraints, we believe that 2.7 million is an adequate participation level.

Question: How do you account for this discrepancy between the USDA's 2.8 million level of participation when for the past 5 months, participation has been at the 3 million level?

Answer: We believe that the WIC program can be better targeted to high risk individuals. A 2.8 million average participation in Fiscal Year 1984 would still be much higher than the 2.54 million average of Fiscal Year 1983.

We only have WIC participation data up to December 1983 at this time. These data show participation at the 3.0 million level only for 4 months, not 5 months.

Question: In 1981, the FNS reported that, "WIC participation is associated with a positive and significant impact on health and nutritional status." Have there been any significant developments between then and now that might cause FNS to view the program in another light?

Answer: We are completing a large national evaluation of the WIC Program which will increase our knowledge of the program's effects. There has also been a recent report by the General Accounting Office that reported that "GAO found insufficient evidence for making any general or conclusive judgments about WIC's effectiveness overall."

Question: The law provides the 20% of the current level of funding that must be used for administrative costs incurred by the States. Looking at your estimates, $245 million for FY 1984 and roughly $225 million for FY 1985 will go toward administrative costs. Can you explain this discrepancy?

Answer: The $225 million requested in the Budget for FY 1985 is based upon our proposal to reduce the administrative costs from 20% to 18% of the total program level. The reduction in the administrative costs would redirect 2% of the current level of funding from administrative costs to food costs. We believe that this change will promote increased efficiency in administration while providing increased funding for program participants.

LOAN SERVICING

Question: Recently, a Federal judge handed down an opinion chastising the Farmers Home Administration for high-handed practices in collection, foreclosure and the termination of debtor farmers. What steps have you taken to insure nationwide uniformity, adherence to FmHA's mission, and to end this lawlessness by the FmHA?

Answer: On December 20, 1983, FmHA provided its field offices with materials describing new procedures and eligibility standards for implementing deferral relief consistent with the U.S. District Court decision in North Dakota which enjoined FmHA from discontinuing approved assistance or foreclosing on farm borrowers without informing them of all available servicing action.

The materials contain directions and form letters to be used by FmHA field offices in giving borrowers 30 days notice of intent to accelerate, foreclose or terminate essential expenses. Detailed guidance for the various actions to be taken, including reamortization, rescheduling, and deferrals has also been provided to field offices. These procedures comply with both the preliminary and permanent injunction and FmHA will continue to observe these procedures in states affected by the ruling.

GUARANTEED ECONOMIC EMERGENCY LOANS

Question: Why was the mixture of guaranteed loans and insured loans changed so the the overwhelming majority of farmers have to seek guaranteed loans at higher prices? Have you encountered any reluctance of the banks to take on these FmHA loans? Do you believe that this change in the composition of the loan mix has contributed to the confusion surrounding FmHA programs?

Answer: The court order which re-opened the EE program specified that the program be administered consistent with regulations in effect during 1981. These regulations stated the policy of FmHA to make insured EE loans only when guaranteed EE loans are unavailable through private and cooperative agricultural lenders. The apportionment is consistent with these regulations. We are confident that we have the support of the banking industry in the success of the guaranteed program. We will continue to monitor the progress of the program, and will propose any adjustment in funding necessary.

QUESTIONS SUBMITTED BY SENATOR KASTEN

CABINET COUNCIL ON FOOD AND AGRICULTURE

Question: Mr. Secretary, in January, President Reagan and you met with the farm leaders at the White House to discuss farm policy and it's future.

At that time, President Reagan announced that he was charging the Cabinet Council on Food and Agriculture, which you chair, to conduct a comprehensive review and assessment of current food and agriculture problems.

Would you bring the committee up to date on the actions of the council?

What are your primary goals and objectives?

Will the council be soliciting input from outside groups, i.e., farm organizations?

Will any field hearings be held to gather needed information?

Answer: On January 9, 1984, we established the Cabinet Council Working Group on Future Food and Agriculture policy. The Working Group is chaired by the Deputy Secretary of Agriculture and consists of high-level officials from the Departments of State, Treasury, Interior, Commerce, Transportation, the Council of Economic Advisors, the White House Office of Legislative Affairs and the White House Office of Policy Development. The Executive Secretary of the Cabinet Council on Food and Agriculture serves as the executive director of the Working Group. To date, two meetings have been held by the Working Group. The mandate for the Working Group is three-fold: to review and assess current farm programs; institute a dialogue on the future course of food and agriculture policy with interested parties inside and outside of Government; and to prepare a list of food and agriculture policy options for 1985 for consideration by the Cabinet Council on Food and Agriculture. We view this as a long-term effort in which we will spend many months gathering information and views to be used in the development of options and alternatives for consideration in the upcoming farm bill.

In order to facilitate the development of basic factual information, the Working Group will be supported by the following subcommittees composed of representatives of interested agencies and departments:

- Farm Commodity Programs (chaired by the Assistant Secretary for Economics, USDA);
- International Trade and Foreign Food Assistance (chaired by the Under Secretary for International Affairs and Commodity Programs, USDA);
- Resource Conservation (chaired by the Assistant Secretary for Natural Resources and Environment, USDA);

- Research (chaired by the Assistant Secretary for Science and Education, USDA);
- Farm Credit and Rural Development (chaired by the Under Secretary for Small Community and Rural Development, USDA); and
- Feeding and Nutrition Programs (chaired by the Assistant Secretary for Food and Consumer Services, USDA).

The basic responsibility of the subcommittees will be to develop detailed, factual background papers to focus the dialogue on future food and agriculture policies in areas of greatest significance. The papers should create a factual base from which to evaluate the forces shaping U.S. and world agriculture. For example, the subcommittee on farm commodity programs would develop background material on the structure of each basic commodity industry, including production characteristics, supply/use trends, market development trends, history of government programs and the overall importance of the commodity in the U.S. and world economy. The subcommittee on international trade and foreign assistance would provide a profile of U.S. agriculture trade patterns to identify the key factors responsible for the current state of U.S. export markets. Similar factual papers will be prepared on credit programs, rural development programs, feeding programs, conservation programs and research. Subcommittee chairpersons may wish to invite expert subject matter specialists to develop background papers or make presentations to the subcommittees in the more complex and controversial areas identified during the internal Working Group review.

The subcommittee's background papers will be reviewed by the Working Group and released to the public as a basic educational document to facilitate an informed dialogue on farm program and policy options. The papers will contain no recommendations but will serve to present the issues in a factual context. The papers should be completed by the end of June.

In July through October, the subcommittees will provide an opportunity for a more detailed exchange of views on identified topics. Members of Congress, leaders of major farm organizations and commodity groups, representatives of key related industries such as fertilizer and machinery, consumer representatives and other subject matter experts will be invited to participate in these roundtable discussion sessions to further delineate the problems and options facing agriculture.

These discussions will be focused on the broad issues which affect all subsectors of the food and agriculture system. For example, in the area of commodity programs, the focus would be the impact of a selected policy tool, such as loan rates, on farm income, grain prices, livestock returns, consumer prices, exports and trade share. Concerning field hearings, each subcommittee chairperson is responsible for determining the need for such hearings based on their specific area of focus and related objectives. Within this framework, if such a determination is made, the number and location of the field hearings will then be established.

MONETIZATION ISSUE

Question: There has been interest expressed in the issue of monetization - the ability to sell donated goods abroad to stimulate currency for local projects and development.

For example: Donations of surplus dairy goods, as authorized by Section 416 of the 1949 Agricultural Act, could be sold in a third world country and the local currency could be used to assist in local transportation of the goods or development of agricultural businesses.

This in turn, would enhance the prospects for moving surplus products out of storage while aiding least developed countries. Economic development would ultimately lead to market development of agricultural products.

To what degree, would you be supportive of monetization legislation?

Answer: As you know this subject has received considerable attention during the last several months. Within the Administration we have also discussed this, seeking to have a clear understanding of all the ramifications of such sales from both a development and trade perspective. We are continuing this discussion and hope to be holding further discussions on this subject with interested members of Congress.

COMMODITY DISTRIBUTION PROGRAM

Question: In January, you addressed the American Farm Bureau Federation during their national meeting in Orlando, Florida.

At that time, you stated that you wanted to achieve a better understanding of your commitment to feeding the needy, but that public perception seems to be that less food is being provided. You concluded by saying that, "That simply is not true".

Why then has USDA put a cap on the amount of surplus dairy products being distributed to the unemployed and needy?

The cap is as follows per 50 States per month

25	million	lbs.	processed cheese
10	"	"	natural cheese
10	"	"	butter
5	"	"	nonfat dry milk (NFDM)

Answer: As required by the Temporary Emergency Food Distribution Act (Public Law 98-92), the Department recently announced the amounts and types of commodities to be distributed in FY 1984. The announced amounts are not a cap but are based on processing feasibility and, as required by P.L. 98-92, an analysis of the potential for commercial displacement. The Department is currently making the following commodities and amounts available on a monthly basis to States for household distribution:

Cheese	35 million pounds
Butter	12 " "
Nonfat Dry Milk	8 " "
Honey	5 " "
Corn Meal	3 " "
Flour	5 " "

In addition to these allocated commodities, the Department is making bulk cheddar cheese and nonfat dry milk available to the States for State's processing into packages for households. The cost of this processing is paid in part by the Department. States can order as much of these bulk commodities as they can have processed and can use without waste.

The Department believes that the levels announced for distribution in FY 1984 are reasonable and will avoid any significant impact on commercial sales.

DAIRY DISTRIBUTION

Question: Let me give you an example to help make my point.

Last week, CCC purchased 15 million pounds of NFDM. This was one week of purchases. Yet all 50 States must split 5 million lbs. among them per month for distribution. That is the cap placed on this commodity.

Simple arithmetic shows that in one month CCC will buy 60 million lbs. of NFDM, give away 10 million lbs., leaving 50 million lbs. in storage.

As we paid approximately $58.1 million in storage costs last year for these products, don't you believe it would be cheaper in the long run to move these stocks out to the public?

Answer: Making the surpluses available to the needy is not simply a matter of cost or just releasing these stocks to local jurisdictions for distribution. The problem associated with the needy receiving dairy products is the bulk form storage of CCC-owned surplus dairy products. Most surplus dairy products are stored in 68-pound blocks of butter, 40-pound blocks or 500-pound barrels of cheese, and 50-pound bags of non-instantized nonfat dry milk--NFDM. As discussed previously CCC or the States must contract with processors to cut down these bulk commodities into consumer-size packages for distribution to the needy. In addition, if the distribution program results in more commodities being purchased by the government and subsequently stored, no savings in storage costs result.

Question: In my home State, calls for emergency food last year increased 500% from 1981. The majority of callers for food were between the ages of 21 & 40 and had an average family size of 4.

Mr. Secretary, I am not saying that surplus dairy products will cure all hunger problems in the U.S., but with what we have in storage (1.2 billion lbs. NFDM) and constituents relating further need for these commodities, why not release more?

Answer: States can increase amounts of products available for distribution to households by entering into processing contracts locally. States can order as much bulk cheddar cheese and non-instantized nonfat dry milk as they can have processed locally for household distribution. States will be reimbursed 12.5 cents per pound for cheese and 14 cents per pound for nonfat dry milk for transportation and processing costs. These amounts are the same as USDA incurs in transforming these commodities into more usable forms.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

EXPORTS

Question: Last year we financed about $4.8 billion worth of agricultural trade through the blended credit and the guaranteed export credit programs. In fiscal year 1984, with the volume of exports expected to drop further, you have apparently decided to limit these two programs to a total of $4 billion.

It was widely reported in the press that USDA was seeking White House approval for $8-9 billion in guaranteed export credit for fiscal year 1984. Were those reports accurate?

Answer: Based on analysis undertaken by the Department, a possible credit level of $8 billion or so was discussed. The current world economic situation has made credit availability an important component in purchasing decisions for many countries. However, this is only one side of the equation; we must also consider the other demands on the U.S. Government budget and credit programs. Taking into account all of the factors, the current GSM-102 level is $4 billion. This level, as you know, does change during a year. For example, in fiscal year 1983 the original level was $2.8 billion; during the course of the year this level was increased twice, once to $3.8 billion and then to $4.8 billion.

Question: If you were seeking that large of a program you must have thought those guarantees would have been put to a good use--namely, increasing our farm exports. Can it, therefore, be concluded that by cutting our export credits we have lost considerable sales to our competitors?

Answer: We do not expect to lose sales to our competitors as a result of this level. We will continue to monitor marketing opportunities and will use the tools available within the price constraints resulting from our domestic structure to assure our competitiveness in the world market.

Question: If these additional sales could have been made, what impact would this have had both on farm prices and on the cost of this year's farm program?

Answer: The precise magnitude of our export increase and the price and budget impact resulting from the increased credit are difficult to estimate. To the extent that additional exports could be generated, prices could strengthen and stocks could be reduced somewhat. This in turn, would tend to reduce CCC price support outlays. However, this potential savings could be offset, depending on whether there were any outlays for rescheduling of the export guarantees.

Question: Legislation was recently introduced in the Senate which would, among other things, increase the authorization for the P.L. 480 program and require that no less than $7 billion in guaranteed export credit be made available in FY 1984. Do you support this legislation?

Answer: At this point in time the Administration is not supporting this proposed legislation.

WIC

Question: Are you planning to start encouraging States to reduce their WIC caseloads so such a drastic reduction would not be necessary should we decide to accept the Administration's proposal?

Answer: We are not encouraging States to reduce WIC participation prior to July 10. USDA has advised States of their grant levels through 7/10/84. The monthly participation level will depend on how States manage their caseload within the funding levels made available.

OPERATING LOANS

Question: Last year, we came very close to running totally out of FmHA operating loan funds, and that was at a time when the demand for operating credit dropped significantly because of the PIK program. What is being done to monitor the demand for operating loans to ensure that we do not have a repeat of that situation this year when the demand for FmHA assistance is likely to escalate?

Answer: It is important to remember that this Administration has increased the level of short-term operating lending every year since 1981. The program level has been increased from $823 million in 1981 to over $1.8 billion in 1984, and we have requested an additional increase to over $1.9 billion in 1985. We have not at any time had insufficient credit available to meet the demands of the operating loan program. Even last year when it appeared in late spring that we might deplete appropriated funds, we were able to use our interchange authorities to reprogram dollars to assure that sufficient operating loan funds remained available.

We believe this year adequate operating loan funds are available, although several states have already used up their second quarter funds and have accessed third quarter allotments. We will closely monitor the use of funds and take whatever action is necessary to assure the continued adequacy of funding for the operating program.

Question: Can you give us your assurance that this Committee will be promptly informed if it becomes clear that the demand for operating credit will exceed the available funds?

Answer: We will continue to review requirements for operating funds and will advise the Committee promptly of any further necessary action.

PAYMENT-IN-KIND

Question: The Joint Explanatory Statement of the Committee of Conference on the Further Continuing Appropriations Act of 1984 directed the Secretary of Agriculture not to include projected production determinations from the 1983 payment-in-kind and paid diversion programs in calculating the production losses of individual farmers. You have ignored the directive and, therefore, have denied farmers access to emergency loans. Would you explain to us why you have ignored this congressional directive.

Answer: The Consolidated Farm and Rural Development Act (CONTACT), as amended, specifies that EM loans be made available to eligible farmers who suffered qualifying production losses. Since the PIK program, in effect, insured an income equivalent to full production a certain number of acres, those acres must be included to determine the farmer has, in fact, suffered an overall production loss in a single enterprise. This process, involving the PIK contract, prevents farmers from being over-compensated for disaster losses by two Government programs. Disaster designations for counties suffering at least a 30 percent reduction in a single enterprise have been made without consideration for PIK acreage because this can be done without risking a duplication of benefits.

QUESTIONS SUBMITTED BY SENATOR CHILES

CITRUS CANKER

Question: Citrus growers now face the very real threat that the current outbreak of the disease in Mexico could spread into the citrus-producing regions of our country, including Florida. Understandably, Florida's growers are deeply concerned about this. So am I. Would you detail for me what steps USDA is taking to make sure the canker is not brought into Florida from Mexico?

Answer: After Mexican authorities informed us of the assumed presence of citrus canker in areas which export fruit to the United States, we immediately halted importation of all citrus from Mexico. APHIS plant pathologists and plant protection officers then conducted intensive surveys and collected samples in these areas. All tests have proven negative. We now believe the diagnosis of citrus canker in these areas was incorrect. Mexican officials are reviewing their information, and we expect them to issue a revised assessment of the situation. We will keep up our guard against citrus canker and require that all citrus exported to the United States be treated with a chlorine solution.

Question: With the outbreak of canker in three new areas, Nuevo Leon, Veracruz, and the Yucatan, isn't it reasonable to expect it will be found in all of Mexico?

Answer: We have no reason to believe the disease will be found in exporting areas of Mexico. We have found no evidence of citrus canker in those areas, although a nonvirulent strain of the disease, apparently causing no economic damage, does exist in an area of southwest Mexico.

Question: I applaud USDA's action to restrict Mexican citrus imports from new found areas, but at what critical point do we have to say we just cannot take any Mexican imports because of widespread canker incidence?

Answer: We would not prohibit Mexican imports unless a citrus-exporting area of Mexico became infested. Restriction of nonhost fruit from noninfested areas is not necessary to protect American citrus. The incidence of the mild form of citrus canker in nonexporting areas does not pose a threat.

Question: How much of the total fruit-producing area has to be contaminated before we block these imports?

Answer: Four Mexican States export citrus to the United States. Any incidence of citrus canker in these States, regardless of the severity of the outbreak, would result in immediate prohibition of fruit from the affected State.

Question: How is USDA working with the Mexican Government to eradicate canker? Have we insisted on an eradication program?

Answer: Although the Mexican Government is cooperating with our survey and detection effort, it does not plan to eradicate citrus canker in southwest Mexico. The disease apparently causes only leaf spots with no resulting economic damage. An eradication program resulting in the destruction of thousands of acres of fruit-producing trees is not economically feasible and would be unacceptable to the Mexican Government. We agree that such an effort is not appropriate at this time.

Question: What has been the Mexican Government's reaction?

Answer: The Mexican Government has facilitated APHIS involvement in the current situation. Additionally, Mexico cooperates in ongoing survey activities and maintains quarantines regulating the movement of nursery stock from infested areas within Mexico.

Question: Wouldn't it be prudent simply to reimpose the previous order that prohibited shipment of Mexican fruit to citrus producing areas of the United States?

Answer: Because of the current limited threat to American agriculture, prohibition of Mexican fruit to citrus-producing regions does not appear to be necessary. Should a citrus canker infestation occur in an exporting region of Mexico, we would quickly prohibit Mexican citrus imports.

BIOTECHNOLOGY

Question: Mr. Secretary, we're all concerned about the future growth and productivity of agriculture. In this regard one of the most promising initiatives is biotechnology and its applications to agriculture. I was certainly pleased to see a recommendation of $28.5 million for biotechnology research contained in the FY 85 budget. Please give us your views as to the importance of biotechnology in the future.

Answer: The new biotechnology initiative in agriculture we have presented reflects a broadly held view in the basic scientific community of this nation and abroad, that the exciting discoveries that make this initiative possible hold vast potentials for this nation in the future. Every nation with scientific capabilities to do so, is attempting to undertake initiatives in this area, recognizing the importance for future developments worldwide. It will, in our view, extensively impact upon the entire food, feed, and fiber system of the nation, and provide vastly new opportunities for energy conversions and protection of natural resources in a manner not now considered possible.

Question: I understand the Committee on Biotechnology of the National Association of State Universities and Land Grant Colleges recommended a funding level of $70 million for this program. Do you believe the $28.5 million level recommended in the budget will be sufficient to properly implement the recommendations of this panel and start this program off in a proper fashion?

Answer: We believe the $28.5 million level recommended this year will provide a major thrust for this program, within the budget limitations with which we are faced, and will permit the successful launching of this major high technology effort for the nation.

Question: How was the $28.5 million level arrived at?

Answer: This level recognizes the major research recommendations of the Division of Agriculture, Committee on Biotechnology, Progress Report II, November 1983, Emerging Biotechnologies in Agriculture: Issues and Policies. The $28.5 million request would selectively support high priority projects from among those identified in this study. This major national study not only assessed the work now underway, but also the potential for new initiatives and the research system's capabilities to respond. These national studies will provide a continuing assessment of research needs and progress.

Question: Would you detail how this $28.5 million will be allocated in terms of research, fellowships, and equipment?

Answer: These funds will be allocated solely for research. However, in the course of conducting this research, graduate and post-graduate students will be directly involved, and equipment directly related to a given project may be acquired with these funds.

Question: If the authorization for competitive research grants was increased, would you support additional funding for biotechnology research?

Answer: As has been indicated, the Committee on Biotechnology of the National Association of State Universities and Land Grant Colleges recommended a start-up funding level of $70 million for this program. We are particularly pleased with the strong support given to agricultural research in the fiscal year 1985 budget despite the urgent need to reduce Federal spending. Competitive Research Grants are a unique and effective program for carrying out biotechnology research and we feel that the proposed $28.5 million initiative will provide a major thrust for this research in support of agriculture.

Question: The Committee on Biotechnology made three broad policy recommendations regarding biotechnology research. They are:

1. Structure, function and organization of plant, animal and microbial genomes.
2. Transfer, expression and regulation of individual genes and gene systems.
3. Genetic and molecular control of growth, development and resistance to physical and biological stress.

Do you agree with these three broad subject areas as the proper focus for this new initiative and as the basis for more specific research?

Answer: These broad subject areas are a proper focus for this new initiative in our view, and do indeed provide an opportunity to scientists to conduct extensive investigations in biotechnology designed to benefit agriculture and this nation. The new concepts and techniques to be explored and utilized will lead to vast and new potentials for our agricultural and natural resource developments in this nation.

Question: Would you resist efforts to earmark or target specific crops or industries for special research attention?

Answer: Frankly, we do not know how earmarking could be done effectively given the fact that the biotechnology initiative involves a broad range of basic rather than applied research. Ultimately, the emerging basic knowledge will provide new levels of technology which can be applied to specific crops and industries.

BIOLOGICAL CONTROLS

Question: Mr. Secretary, I know we are all increasingly aware of the interrelationship between the environment and agriculture. With our improved ability to detect pesticide residues, we're becoming more concerned about amount and scope of pesticide use in agriculture. One of the promising alternatives to pesticides is biological control of pests, weeds and nematodes. Would you detail present USDA involvement in biocontrol and give us a breakdown regarding manpower, funding and project participation?

Answer: Research conducted through Cooperative State Research Service administered funds at cooperating State institutions has demonstrated clearly that specific biological organisms are of great value for suppressing pests on agricultural crops and animals. Very recent discoveries at these institutions have shown that beneficial pathogens, predators, and parasites have even greater potential for controlling insects, diseases, nematodes, and weeds in a variety of new production systems. As means to sustain and develop these discoveries, our cooperating State institutions have strengthened research in this area; emphasizing forests, citrus and subtropical fruits, vegetables, deciduous fruits and nuts, forages, rice, cotton, soybeans, and aquatic sites. These are commodities/sites presently receiving extensive pesticide applications. Although the biological pest control research program is national in scope, Arkansas, California, Florida and New York are very active participants. For fiscal year 1982 it is estimated that $3,519,000 of Cooperative State Research Service appropriated funds and $15,477,000 of other U.S. Department of Agriculture, other Federal and non-Federal funds were expended at cooperating State institutions for research on biological control of pests. This combined base provided support for approximately 145 scientist years of work. In addition, the USDA-Agricultural Research Service expends $4,900,000 in support of its inhouse biological control research program. There is a strong biological control component in the Integrated Pest Management (IPM) programs conducted by Extension Service in all States. These programs allow implementation of biological control measures in concert with pesticidal, cultural and other control methods. Examples of successful and ongoing educational IPM programs with very strong and visible biological control components include those on floricultural crops in Florida, weeds in Missouri and soybeans in Maryland and Virginia. We estimate that at least 25% of the Extension IPM effort could be identified as biological control. Additional efforts exist within the discipline specialties in Extension programs.

Question: How does the current biocontrol effort in the department compare to past efforts in terms of manpower and funding?

Answer: Cooperative State Research Service appropriated funds, other Federal and non-Federal funds at cooperating State institutions for research on biocontrol of pests have increased steadily since fiscal year 1978. Manpower commitments have also increased proportionately. These trends are shown in the following table.

FUNDS FOR RESEARCH ON BIOCONTROL OF AGRICULTURAL PESTS
PERFORMED AT COOPERATING STATE INSTITUTIONS, 1978-1982
(Dollars in thousands)

Fiscal Year	CSRS	Other USDA	Other Federal	Non Federal	Total	Scientist Years
1978	$2,069	$421	$540	$7,637	$10,667	119
1979	2,412	509	585	8,643	12,149	127
1980	2,544	955	899	10,181	14,579	135
1981	2,897	1,129	1,342	12,260	17,628	140
1982*	3,519	1,012	1,484	12,981	18,996	145

* Latest State data reported in the Current Research Information System.

Analysis of these expenditures indicates that the work underway involves many scientific disciplines, includes a wide variety of plant and animal agricultural commodities, covers control of insects, diseases, weeds, and nematodes, and considers uses of pathogens, predators and parasites, among other entities, as biocontrol agents.

Question: Isn't it more important now than ever to focus attention on biological controls?

Answer: At the present time there are urgent needs to refine and expand basic research designed to enhance our potential for biological control. Central to these needs are studies on the normal and abnormal biochemistry and molecular genetics of biological control agents and their interactions with their hosts and agricultural and natural resource commodities. The exciting new concepts and techniques to be explored in biotechnology provide an extensive opportunity to bring biological control into agricultural practices in a manner not heretofore possible. The biotechnology initiative proposed in the Competitive Research Grants program strongly addresses these opportunities.

Question: What restrictions are imposed on funds for overseas research relating to biological controls?

Answer: Many species of potentially useful biological pest control agents are not native to the United States. Research on such agents must be conducted in foreign countries or in United States' isolation facilities in conformity with Federal and State regulatory requirements on importation, quarantine, subsequent redistribution and release. ARS operates laboratories and conducts research in France, Italy, South Korea and Argentina to discover and develop promising biological control agents for use in U. S. agriculture. In addition, research data must be provided which addresses possible conflicts of interests that may arise as a result of biocontrol agent release.

AGRICULTURAL RESEARCH STATIONS

Question: Mr. Secretary, last year the Agricultural Research Service (ARS) proposed elimination of several important research stations in Florida. The committee expressed its concern over this proposal by including bill language directing that current efforts at the Agricultural Research Stations at Belle Glade, and Lake Alfred, Florida be continued and that participation in the soil, water, air and plant (SWAP) program located at Fort Pierce, Florida be maintained.

Is it the intention of the USDA and ARS to maintain these stations in fiscal year 1985 at the past funding and service levels?

Answer: Yes, it is.

Question: Would you detail for me for the Department's recommendation in regard to these stations.

Answer: In 1985, the ARS research program at Belle Glade will continue at the $187,300 level with 5 staff-years. The program covers sugarcane production systems for reducing energy inputs and conserving soil and water. The ARS program at Lake Alfred will continue at the $128,500 level with 3 staff-years. This program covers citrus production systems and pest control research. The ARS program at Fort Pierce will continue at the approximate $75,000 level with one ARS research scientist and two cooperative employees. This program covers soil-water-air-plant relationships associated with citrus and other crop production in Florida.

QUESTIONS SUBMITTED BY SENATOR BURDICK

LOAN DEFERRAL

Question: Would you describe the current procedure a farmer would follow in applying for a deferral.

Answer: The borrower applies in writing to the FmHA county supervisor for deferral of payments on new or existing loans. The request is approved if it is determined by the county supervisor that the borrower is following approved management practices, is properly maintaining security property, and can show full repayments are possible if normal conditions exist following the deferred period. If the request is denied, the county supervisor informs the applicant in writing of appeal procedures. The appeal must be submitted within 30 days in writing to the District Director. The review officer is the State Director.

Question: Since the injunction has been in effect in North Dakota since last May, how many deferral requests have been made and how many have been granted? What is the average length of the deferral requested and the deferral granted?

Answer: Since May of last year, FmHA has approved 93 farm borrower deferrals in North Dakota and 1,930 deferrals nationwide. Data on the number of applications and length of deferrals is not available. The length of deferrals will depend on the type of security, the ability to repay the loan and accrued interest following the deferral period, and the particular type of farm enterprise. Currently, deferrals are limited to a maximum of three years, although repayments can be graduated following deferral so that longer periods of limited payments can be arranged.

Question: What is the FmHA procedure for informing delinquent farmers about their right to apply for a deferral? Is this done prior to a delinquency?

Answer: FmHA farm borrowers are notified of their rights and responsibilities, including loan deferral and rescheduling, both at the time of loan application and prior to loan acceleration, termination of planned release of income, foreclosure, or other adverse action by FmHA. FmHA field offices were recently provided with materials to be sent to borrowers subject to adverse action which fully describes the deferral procedures and includes a form the borrower can use to apply for deferral and/or other servicing actions.

PROPERTY AUCTIONS

Question: Who is purchasing this property at these auctions? Corporations? Foreign Interests? Large farming operations? Who?

Answer: FmHA attempts to place its acquired farm property with purchasers eligible for FmHA farm ownership loans. Property unsuited for purchase by eligible borrowers or determined suitable but not sold within three years is declared surplus property subject to immediate sale by sealed bids or public auction. However, some state laws of redemption rights require substantial delay in sale to allow for repurchase of land by the initial owners. Most property sold through sealed bid or auction is purchased by neighboring family farm operations. Foreigners and non-family farm corporations own a very small share of U.S. farmland. Foreigners account for 1 percent of privately owned agricultural land, and non-family farm corporations account for less then 4 percent of total farmland acreage.

Question: Is FmHA getting fair value for this property? How is this assured?

Answer: Acquired suitable farm properties are sold by FmHA to eligible FmHA applicants for their present market value. The present market value is determined by a current real estate appraisal. Acquired surplus farm properties are sold to ineligible FmHA applicants by sealed bids or public auctions for their present market value or the best price obtainable.

Question: Would it be preferable from an economic standpoint to be more lenient with your deferral authority, to allow farmers some time to get back on their feet before liquidating their property?

Answer: FmHA is currently providing farmers with every available opportunity to get back on their feet. FmHA will stay with its delinquent borrowers if they have maintained security, used acceptable management practices, and can show they can repay new loans from the coming year's income. Last year, we provided special assistance to almost one fourth of our borrowers through rescheduling, deferral, and subordination authorities. At the end of FY 1983, 28 percent of FmHA farm borrowers remained in a delinquent status, with 45 percent of the total value of outstanding farm loans in delinquent accounts. Less then three percent of FmHA borrowers were forced to quit farming last year due to financial difficulties. For those borrowers regretably, there really was no reasonable chance for recovery of the existing farm operations. In such cases, a deferral would not have improved the long term prospects of the borrower, but would only have postponed the eventual liquidation of the operation.

SUBCOMMITTEE RECESS

Senator **Cochran**. The subcommitee will stand in recess until Wednesday, March 7, when we will hear from representatives of the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the National Agricultural Library. That hearing will be held in this same room, SD–192, and will begin at 9:30 a.m.

[Whereupon, at 3:40 p.m., Thursday, March 1, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, March 7.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 7, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m. in room SD–192, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran and Chiles

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION

STATEMENTS OF:

ORVILLE G. BENTLEY, ASSISTANT SECRETARY, SCIENCE AND EDUCATION

TERRY B. KINNEY, JR., ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE

JOHN PATRICK JORDAN, ADMINISTRATOR, COOPERATIVE STATE RESEARCH SERVICE

MARY NELL GREENWOOD, ADMINISTRATOR, EXTENSION SERVICE

JOSEPH H. HOWARD, DIRECTOR, NATIONAL AGRICULTURAL LIBRARY

ACCOMPANIED BY ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF WITNESSES

Senator COCHRAN. The subcommittee will please come to order.

This morning, the subcommittee will hear from witnesses on behalf of the administration's budget requests for agricultural research, extension, and teaching.

Research and education play vital roles in ensuring the strength of American agriculture. The agencies which are here today help develop the technologies that are needed by agriculture to keep pace with domestic and world needs and demands for food and fiber.

We will focus on four agencies within USDA. All of these agencies come under the jurisdiction of the Assistant Secretary for Science and Education, Dr. Orville G. Bentley.

Accompanying Dr. Bentley are Dr. Terry B. Kinney, Administrator of the Agricultural Research Service; Dr. John Patrick Jordan, Administrator of the Cooperative State Research Service; Dr. Mary Nell

Greenwood, Administrator of the Extension Service; and Mr. Joseph H. Howard, Director of the National Agricultural Library. Also at the witness table is Bob Sherman, Deputy Budget Officer for the Department of Agriculture.

Dr. Bentley, we have your prepared statement and the statements of your colleagues. They will be made a part of the record in full. At this point, we invite you to proceed in any manner you wish.

DR. BENTLEY'S OPENING REMARKS

Dr. Bentley. Thank you for the opportunity to be here to talk about some of our programs. I appreciate your opening remarks as to the role of the agencies dealing with research, extension, and higher education in the Department of Agriculture. I note also that you said that the documents we have submitted will appear as a part of the record, so I will take the opportunity to make some general opening remarks this morning about the budget, and then turn to my colleagues for their statements in the order that you introduced them earlier.

DEVELOPMENT OF THE BUDGET

Mr. Chairman, I want to start off by saying a bit about the process that was involved in the development of the budget and the recommendations from the Secretary of Agriculture for these agencies.

We had a great deal of consultation and involvement in the system which is made up, as you know, of the Extension Service, the Cooperative Extension Service at State level, the Cooperative State Research Service, the State agricultural experiment stations, the Agricultural Research Service, and the National Agricultural Library. We also consulted with the committees involved: the National Association of State Universities and Land-Grant Colleges has a budget advisory committee that we worked with, headed last year by Dean J. E. Legates of North Carolina; the Joint Council on Food and Agricultural Sciences; the Users' Advisory Board; a whole series of committees and representatives from commodity organizations; and other individuals. We think that the consultation and involvement in the preparation of the budget recommendations was excellent, and that it represents a viewpoint in terms of priorities and needs that were very valuable to us as we developed the budget. That does not mean that we were able to include all of the items that had been recommended to us, but rather that we had an array of priorities which were very important to us in developing the budget presentation.

ONGOING PROGRAMS

In a general way, I wanted to speak a bit about the budget. The first comment has to do with the support of our ongoing programs—what I refer to as the core of our activities, whether it be for the State agricultural experiment stations, Extension activities, Agricultural Research Service, or the Library. When we thought in terms of the funds—those provided by the Federal Government to the States for these programs—

we attempted to place emphasis on increasing these funds in modest amounts this year, given the constraints of our budget. We recommend increases for the two major program funds, the Hatch Act funds for the Cooperative State Research Service and the Smith-Lever funds for Extension. These increases were in the range of 2 to 3 percent. Likewise there were increases in the basic budget for ARS and for the Library. We made that choice on the basis that this gives a maximum amount of flexibility to the States and our collaborators in developing and utilizing funds to meet high priority needs and to match those funds with their ongoing State appropriations and other funds that they have at their disposal for program development at the State level.

We think that this also facilitates planning in terms of where the programs can go at the State levels. In addition, it gives a great deal of flexibility. I think that this point will be taken up and expanded further, especially in the presentation of Administrators Jordan and Greenwood.

There is an increase in the National Agricultural Library budget, and that is consistent with recommendations that have been made concerning the future of the Library by a blue ribbon panel that was appointed some 2 years ago by Secretary Block to look at the Library and its current program, to assess needs, and to make projections as to where it might go.

COMPETITIVE RESEARCH GRANTS

The second major part of the budget has to do with animal science research under the competitive research grants program. One item of increase is $4.5 million for support of animal science research. Research will focus on high priorities that have been identified by the industry and by the program leaders and scientists, both at the State and Federal levels. A good example of this is reproductive physiology and problems that have been identified in integrated reproductive management programs. In my view, this is a very constructive activity on the part of industry and our agencies as we interact with them concerning priorities and directions this research should take.

The major initiative of the budget—one I think is very exciting—is the proposal for expanding the competitive research grants program by $28.5 million for research in biotechnology. This program reflects a direction—and I think it is very important to the future of our food and fiber system—that reflects a wide base of support through our agricultural experiment stations, through ARS, and through interaction with industry.

We have available to us today, as you know, some new potential for new development in molecular biology, the kinds of information and techniques that were not generally known at all until a few years ago—in fact, some of them are truly amazing and I want to mention just a few.

BIOTECHNOLOGY ILLUSTRATIONS

We have here, for you to see, the use of a tissue culture demonstrating the development of a plant from a single cell. This happens to be a tobacco plant, but it can be done with other plants as well. This is a very exciting use of tissue culture in the development of improved varieties and improved strains. It is a technique that has been around for a long time but has never been used as extensively as it could because we didn't have the basic knowledge about plant hormones, the plant nutrients that are needed to take a single cell and develop it into a plant. We can now get literally thousands of plants from one single cell of improved plant material.

There are a number of illustrations we can use for biotechnology, and I wanted to try to put it in perspective. We have always used our knowledge of germplasm in the sense of biotechnology, plant breeding, and animal selection programs, and in working with bacteria and viruses in trying to cope with plant diseases and insects. Biotechnology is why agriculture is high technology, and has been for some time. We locate desirable genetic material in some cultivar, whether it be in vegetables or cereal crops or whatever, and through tedious processes, sometimes the plant breeder is able to move those desirable genes into cultivars which on the whole were improvements over existing cultivars.

That is a type of biotechnology. But now with our knowledge of molecular biology we can begin to move genes around within species, within groups, and in fact, can introduce genetic materials from other kinds of plants and bacteria into different species. Today we know we can do these things, and we can use it as a way of speeding the process of improving our plants and animals and coping with disease problems. We can also increase our understanding of bacteria, viruses, and fungi, and we think this is an exciting thing. It is my impression, my belief, that maybe we are facing a new time; a new era in agriculture.

If we go back to the time we introduced hybrid corn, hybrid plants, and hybrid animals in the forties and fifties, their coming to full fruition was a breakthrough and changed the way we could produce crops in the United States. About that time we were also talking about improvements in nutrition, understanding the vitamin and mineral requirements of farm animals, and the ability to put that material together into a diet or into a ration. This was, in a sense, a high technology, and it led to the use of all-plant rations for poultry and swine production. This was a truly revolutionary change from the twenties and thirties when we began to understand nutrition. Those major developments changed the way American agriculture could operate. We have been modifying and improving on those major techniques and technologies.

Today we have a new opportunity, it seems to me, that is creating excitement in the scientific community and in industry, as expressed by the fact that many major companies are now involved in gene splicing, in cloning, in developing new proteins, and in finding new ways to cope with old disease problems.

I have already held up an example of tissue culture, because this is a practical way to improve rice production, food production, hopefully tree production, our oil seed plant production, and so on.

ICE NUCLEATING GENE

I have three test tubes here that I didn't know whether I would bring or not, but I understand that last night CBS featured as part of its news program the matter of the ice nucleating gene as it impacts on agriculture. The thing that Dr. Lindow, a young scientist, found was that there is a strong relationship between the bacteria that is on the plant and the temperature at which that plant is damaged by frost or low temperature. It is particularly germane to talk about temperatures in fruit and vegetable production in 1983-84.

They found that if you could take the bacteria off the plant, the plant could withstand a 4° to 5° lower temperature without damage to the plant. That suggested, then, that the bacteria was imparting through its genetic material some factor that affected the rate of frost damage on the plant, on the leaves, et cetera, of susceptible plants. It was then found that within the normal population of that bacteria, there were some bacteria which, if you put them on the plant, the plant could withstand lower temperature. That suggested that one could apply some techniques—biotechnology—to take advantage of these bacteria. In other words, through a complicated system of genetic mechanisms they were able to introduce a form of this ubiquitous bacteria, found on every kind of plant in the country, that had the ice nucleating gene removed. So when you put that bacteria on a plant, you can then have plants that perhaps can withstand lower temperatures without damage.

There are questions about introducing this bacteria into the environment, but the reason I bring these tubes is to show you that, in fact, the cultures that were identified are here. Dr. Lindow shared these with us so that we could have examples.

Senator CHILES. I would like to take some of these home.

Dr. BENTLEY. I would be glad to share them with you, but I am under admonition not to share things until they are fully released. And that brings up another new topic—well, maybe I shouldn't start a new subject.

I must not take up too much time. As I talk about this, my excitement grows, and perhaps I have already interfered with the presentation of my colleagues.

I would just close my remarks by saying that in our discussions concerning this budget recommendation, we have considered and conferred at great length with the President's science adviser, with the people in the National Academy of Sciences, and with the National Science Foundation. We are pleased with the encouragement they have given us to have an initiative in this important area in the Department of Agriculture.

BIOTECHNOLOGY PLAN

I know that the people within the system—that is the State agricultural experiment stations and the ARS—have to some degree interacted with the private sector. This is very important. I want to hold up a report that has been developed over the past 2 years by the Division of Agriculture, Committee on Biotechnology, headed by Dr. Aloysius

Wood from the University of Florida. Members of that committee in the audience today can give you further information. It was a very important activity, as far as we are concerned, and it gives the foundation for our recommendation for the $28.5 million increase in our program. I would also add that the recommendation of the committee was over twice that amount, $70 million, but we were under budget constraints and therefore, reduced it to $28.5 million.

Thank you very much, Mr. Chairman, for the opportunity to give this overview. I know you note that I have not given details of the budget, and I look to the presentation by my colleagues to give that.

[The statement follows:]

STATEMENT OF DR. ORVILLE G. BENTLEY

Mr. Chairman and Members of the Committee, I have appreciated very much your support and guidance. We value the mutual understanding and dialogue necessary to establish policy direction in the food and agricultural sciences.

This is a time of great ferment in the agricultural science system. Many voices outside USDA have called on us to provide leadership in exciting new areas of science. The Department has worked with cooperators to identify long-term needs in research, extension and teaching. Strategies are being developed and implemented to address these needs. The level of communication, cooperation and consensus resulting from the planning efforts is unprecedented. This capacity for rejuventation of our research and education system has reemphasized the importance of maintaining the existing system to enable it to meet new challenges. As a consequence, the traditional research and extension programs have been treated more favorably by this Administration than most other domestic discretionary programs.

It is appropriate that we are reassessing our priorities. The pace of change in science is accelerating. This creates an opportunity for major breakthroughs benefitting broad areas of agriculture if our resources are efficiently used. The public system has already made contributions in new science areas. For example, it was recently discovered that bacteria living on plant leaves help form damaging ice crystals. Scientists have been able to genetically delete a gene in the normally-occurring bacteria to make the plant withstand lower temperatures. This development could dramatically lower the freezing temperature of a wide variety of crops and prevent devastating crop damage such as occurred this winter. This new bacteria resulted from research at the University of California based on initial research by ARS and university scientists in Wisconsin.

You are aware of the devastation if Foot and Mouth Disease were ever rampant in this country. Previous vaccines were potentially infectious. ARS scientists discovered the critical protein subunit fraction of the virus needed to make an effective, non-infectious vaccine. They worked with a private firm to develop a bacteria that would produce the vaccine. Similar genetically engineered vaccines are now being developed for other strains of the virus. The United States will soon be much safer from a major outbreak of Foot and Mouth Disease.

ARS has also supported cooperative research at Iowa State to develop a vaccine for pseudorabies. Cooperating scientists have identified a subunit fraction of the pseudorabies virus that shows promise of being an effective non-infectious vaccine. Similar technology has also resulted in development of a pseudorabies diagnostic test to distinguish vaccinated from actively infected swine.

We use the term "biotechnology" to refer to these new research areas. Biotechnology research holds great promise. It can shorten the gap between problem recognition and solution. Age-old problems facing producers, such as combating weeds and pests, could be better managed. Crops could be changed quickly to resist new threats. New varieties could reduce the need for expensive pesticide, herbicide and fertilizer inputs. This would make farmers more profitable at any output level while enhancing the environment. The U.S. competitive edge in world agricultural trade would increase.

Biotechnology research will help us understand basic cellular and genetic processes and make them more efficient. This effort began thousands of years ago when tribes noticed that all seeds from similar plants were not equal in their production vigor. They had no understanding how this worked but over centuries, this selection process slowly resulted in improved crops. We now have a better understanding of how to achieve improved varieties within a decade or so through complex crosses and backcrosses. But we still need more knowledge of how the genes in a higher plant interact to create a valuable commodity. We have identified more than 60,000 expressed genes in higher plants but the actual number runs into the millions. As indicated by the examples of research breakthroughs mentioned previously, we have become adept at cloning bacteria genes and inserting new genetic information. If we could study agriculturally important plants and animals as thoroughly as bacteria and mice have already been studied, then key genes could be moved at will to obtain desirable changes. Biotechnology will enable us to shoot with a rifle instead of a shotgun.

The Administration has recognized this opportunity and the need for USDA leadership by requesting a $28.5 million increase in CSRS Competitive Grants for biotechnology. This initiative has widespread support within the system. Agricultural science leaders recognize that research in biotechnology must be grafted onto the system if it is to continue to make significant contributions. Our country's strength is the current expertise found in the public research and extension system. As new cooperators are involved in biotechnology research, they must learn from traditional scientists and extension specialists what are the most important problems for farmers. Biotechnology scientists will have to work closely with breeders and integrated farm systems teams to ensure the findings are packaged in a useful way for farmers. USDA can provide the leadership to link traditional disciplines with biotechnology.

I am gravely concerned about the impact if this opportunity is not seized. Funding for USDA agricultural research has barely kept even with inflation over the past decade. Keeping even will become even more difficult in the years ahead as Federal fiscal constraints tighten. The USDA primary role in the food and agricultural sciences has diminished. Our study of FY 1981 Federal funding for food and agricultural research found 13 agencies outside USDA with funding in this area. Their combined funding of $642 million comprised 43% of Federal food and agricultural research. In FY 1984, the National Science Foundation received a 16% increase in basic plant sciences related to biotechnology. A slightly lower NSF increase is proposed for this area in FY 1985. We are supportive of the fine agricultural science programs outside USDA and this cooperative effort should continue in the future to enhance the usefulness of the research to the agricultural industry. Implicit in this rationale is that USDA must have its appropriate place as a partner in supporting this effort. We have a fine system already, including an excellent extension technology transfer program directly to America's farmers. We should build on it. As the President's Science Advisor has said, "agricultural research is too important to force our best scientists to wander, hat in hand, from agency to agency." He remarked that one excellent molecular biologist who became interested in plant research had to depend on seven different funding sources. Medical researchers can usually depend on one. The Administration and the scientific community have placed great trust in our ability to administer top notch research programs by funding the biotechnology initiative through USDA. We understand this is the only new initiative in the Federal budget for the life sciences.

I have talked at some length about the biotechnology initiative because of its importance. The agency administrators will talk in more detail about their budgets. I will also make some brief points prior to the ARS hearing. As you know, difficult decisions could be avoided with unlimited funds. In the current fiscal environment, however, difficult decisions must be made. We have proposed a number of them in this budget and we look forward to working with the Committee as it works to meet its responsibility in this area. It is worth noting that the Science and Education budget, in addition to the biotechnology initiative, does provide some increased funding for high priority ARS programs, the National Agricultural Library, and the basic formula programs of the Cooperative State Research Service and the Extension Service. These actions reflect the continued strong support of the Secretary and the Administration for USDA Science and Education programs.

There is a commitment in this budget to maintain traditional funding sources and programs while building new capabilities in biotechnology. We are not abandoning current efforts to solve farmers' immediate problems. We are quite proud of our efforts in addressing current needs. Many examples of these accomplishments will be provided during these hearings.

This budget represents a major opportunity for the public agricultural research and education system. The future usefulness of the system depends on our positive response to this opportunity. With your Committee's continued support, we can ensure a strong USDA Science and Education program now and in the decades ahead.

AGRICULTURAL RESEARCH SERVICE

Senator COCHRAN. Thank you, Dr. Bentley.

Dr. BENTLEY. I would like to turn now to Dr. Kinney, the Administrator of the Agricultural Research Service.

DR. KINNEY'S OPENING REMARKS

Dr. KINNEY. Thank you, Dr. Bentley.

Mr. Chairman, I, too, have a prepared statement that has been submitted for the record and I will refrain from addressing that specifically here.

First of all, I would like to point out that the bags of materials that were presented to the subcommittee members represent a number of breakthroughs which are described in the folder. They range all the way from biotechnology or microbiology or tissue culture—new breakthroughs in plant biology—to a flame retardant process developed by the Southern Regional Research Center. There is a potholder in there, developed by the Southern Regional Research Center, which is made of a fabric that has been fully tested and is used in steel mills, hospitals, and the space program.

I would like to show you about a 12-minute video tape demonstrating some of the progress we are making in research. It is basically a film that we have developed for recruiting and for showing to our scientists to broaden their perspective of ARS. After that I will take a couple of minutes to go through some charts that will summarize what is in my prepared statement, if that pleases the chairman.

[A copy of the narration of the video tape presentation follows:]

SOLVING PROBLEMS FOR FARMERS—TODAY AND TOMORROW

SCENE	NARRATION
Future Shot	THE 21ST CENTURY IS FAST APPROACHING. WITH IT COME PROBLEMS TO BE SOLVED AND OPPORTUNITIES TO BE SEIZED IF OUR FUTURE IS TO BE ONE OF PEACE AND PLENTY.
Scientist swine	THE AGRICULTURAL RESEARCH SERVICE, OR ARS, OF THE U.S. DEPARTMENT OF AGRICULTURE IS IN THE FOREFRONT, SUPPORTING AMERICAN FARMERS.
Scientists	SPECIFICALLY, ARS IS A COMMUNITY OF MORE THAN 27 HUNDRED SCIENTISTS WORKING TOGETHER IN AN ENVIRONMENT BUILT AND ORGANIZED TO NURTURE THEIR EFFORTS. THESE MEN AND WOMEN ARE PUSHING BACK THE FRONTIERS OF AGRICULTURAL SCIENCE.
Lab Scene	ARS CONDUCTS RESEARCH THAT HAS A NATIONAL IMPACT ON THE FARM ECONOMY. IT WORKS ON PROJECTS THAT STATE OR PRIVATE AGRICULTURAL INSTITUTIONS CAN'T HANDLE BECAUSE OF NARROWER MISSIONS OR LIMITED RESOURCES. WORKING CLOSELY WITH FARMERS, RANCHERS AND INDUSTRY, ARS SETS ITS PROGRAM PRIORITIES -- NECESSARY SPADEWORK FOR SOLVING PROBLEMS THAT FACE THE FARMERS.
Lab Scene	ARS HAS ASSEMBLED A CENTRAL BANK OF SCIENTIFIC AND AGRICULTURAL KNOWLEDGE AND EXPERTISE DRAWN UPON BY THE WORLD'S AGRICULTURAL COMMUNITY.
Planning	IT PLANS, COORDINATES AND MANAGES MANY DIVERSE RESEARCH PROGRAMS.
Seed	IT CATALOGUES AND STORES MILLIONS OF SEEDS, PRESERVING AND MAINTAINING DISEASE-FREE GERMPLASM AND GENETIC DIVERSITY. ARS ALSO HOUSES IMPORTANT TAXONOMIC COLLECTIONS OF PLANTS, MICROBES AND INSECTS.

SCENE	NARRATION
Computer Lab	THESE ASSETS MAKE ARS A KEY CONTRIBUTOR TO AMERICAN AGRICULTURE AND HELP ARS TO PREPARE AMERICA'S FARMERS FOR THE CHALLENGES OF TODAY AND TOMORROW.
Spanner	ARS RESEARCH IS DESIGNED TO SOLVE SPECIFIC PROBLEMS...MAJOR RESEARCH PROBLEMS THAT REQUIRE THE RIGHT COMBINATION OF PROGRAMS. THE IMPORTANCE OF A RESEARCH EFFORT IS MEASURED BY THE FARMERS WhO QUICKLY ADOPT THE NEW ARS TECHNOLOGIES AND TOOLS.
Group	ALL ACROSS THE COUNTRY, ARS SCIENTISTS ARE TACKLING THIS MONUMENTAL TASK, DIRECTING RESOURCES TO THE HIGHEST PRIORITY RESEARCH.
Lab scenes	RESEARCHERS ARE MOVING FORWARD IN MANY FIELDS: BIO-CONTROL, GENETICS, CRYOGENICS, HUMAN NUTRITION, COMPUTER MODELING. TODAY'S NEW IDEAS, NEW TECHNIQUES, AND NEW INSTRUMENTS ARE CREATING BUILDING BLOCKS OF KNOWLEDGE THAT LAY THE FOUNDATIONS
Fire Ant footage	FOR TOMORROW'S SCIENTIFIC TRIUMPHS. HERE ARE A FEW EXAMPLES: FIRE ANTS ARE A PARTICULAR PROBLEM TO FARMERS IN SOUTHERN STATES. THE INSECTS OFTEN ATTACK LIVESTOCK AND HUMANS, INFLICTING SHARP BURNING STINGS, CAUSING ALLERGIC REACTIONS IN SOME PEOPLE. FIRE ANT MOUNDS HAMPER MACHINERY OPERATIONS AND LIVESTOCK MANAGEMENT.
Fire Ant	BUT ARS SCIENTISTS DEVISED A PROMISING FIRE ANT EXTINGUISHER. IT'S A SYNTHETIC COPY OF THE NATURAL HORMONE THAT REGULATES THE INSECT'S GROWTH.
Fire Ant	AFTER MANY YEARS OF COMPLEX CHEMICAL RESEARCH, SCIENTISTS AT THE BELTSVILLE AGRICULTURAL RESEARCH CENTER IN MARYLAND, PERFECTED THE SYNTHETIC HORMONE, AND NOW IT'S AVAILABLE COMMERCIALLY.
	IN FLORIDA AND MISSISSIPPI, OTHER SCIENTISTS RAN EXTENSIVE FIELD TESTS. THIS HORMONE IS SUSPENDED IN SOYBEAN OIL, THEN MIXED

SCENE	NARRATION
	WITH CORN GRITS, A FAVORITE FIRE ANT FOOD. THE BAIT IS APPLIED TO A FIELD AND THE TINY ANTS GATHER IT UP AND RETURN TO THE MOUND. THE BAIT IS EATEN BY THE WHOLE COLONY. THE HORMONE PREVENTS YOUNG ANTS FROM BECOMING ADULTS, AND SOON, THERE ARE NO WORKERS TO GATHER FOOD. IN SIX MONTHS TO A YEAR, THE COLONY DIES.
	IN GAINESVILLE, FLORIDA, SCIENTISTS ARE TESTING PHEROMONES, OR SEX ATTRACTANTS, THAT COULD BE USED TO LURE EVEN MORE ANTS TO THE GROWTH REGULATING BAIT.
Japanese beetles Bollweevil	OTHER PROJECTS IN BIOLOGICAL CONTROL PRODUCED NEW TECHNIQUES TO FIGHT JAPANESE BEETLES, MEDFLYS, BOLLWEEVILS, GYPSY MOTHS, AFRICANIZED BEES AND SCREWWORMS.
Fungus on weed	ANOTHER NEW METHOD IS THE USE OF A FUNGUS FOR WEED CONTROL IN RICE.
Bio-Control Lesions Spraying	FOR YEARS, ARS SCIENTISTS HUNTED DOWN AND TESTED FUNGI THAT ATTACK AND KILL WEEDS, BUT LEAVE CROPS ALONE. IN THIS CASE, THE WEED IS NORTHERN JOINTVETCH. DRY, LIVING SPORES OF THE FUNGUS ARE MIXED WITH WATER AND SPRAYED ON THE WEEDS IN RICE OR SOYBEAN FIELDS. IN ABOUT A WEEK LESIONS DEVELOP ON THE WEEDS. PATHOGENS TAKE LONGER THAN CHEMICALS TO KILL WEEDS, BUT THE SPORES EXERT A RESIDUAL EFFECT. THEY REMAIN IN THE ROOTS OF THE DEAD WEED, WAITING TO ATTACK NEW SPROUTS.
	RESEARCH CONTINUES AND IT'S HOPED THAT THIS NEW BIO-CONTROL METHOD CAN BE APPLIED TO A WIDE RANGE OF CROPS.
Fort Collins	ARS IS A LEADER IN THE FIELD OF CRYOGENIC WORK. USING LIQUID NITROGEN, SCIENTISTS HAVE PRODUCED BREAKTHROUGHS IN ANIMAL AND PLANT GERMPLASM PRESERVATION.

SCENE	NARRATION
	AT THE NATIONAL SEED STORAGE LABORATORY IN FORT COLLINS, COLORADO, RESEARCHERS REPLACE WATER IN RECALCITRANT SEED MATERIAL WITH PROLINE. BEFORE THIS PROCEDURE WAS DEVELOPED, RECALCITRANT SEEDS REQUIRED EXPENSIVE VEGETATIVE PRESERVATION. THE TREATED SEEDS ARE THEN PUT IN LIQUID NITROGEN FOR EXTENDED PRESERVATION. GERMPLASM PROJECTS LIKE THIS PROVIDE TOMORROW'S GENETIC ENGINEERS WITH THE RAW MATERIALS FOR DEVELOPING NEW VARIETIES OF PLANTS, PLANTS WITH HIGHER YIELDS OR GREATER DISEASE-RESISTANCE.
BARC Cryo Lab	PRESERVING ANIMAL SEMEN HAS BEEN A MAIN FOCUS OF CRYOGENIC RESEARCH. FOLLOWING 40 YEARS OF WORK AT BELTSVILLE, AVIAN SEMEN WAS SUCCESSFULLY PRESERVED IN 1976. SINCE THEN THE POULTRY INDUSTRY HAS SAVED MILLIONS OF DOLLARS. CONSERVATIONISTS NOW HAVE AN IMPORTANT NEW TOOL FOR PROPAGATING ENDANGERED SPECIES.
Boar Semen	PORK FARMERS ALSO BENEFIT FROM THE DEVELOPMENT OF A SIMPLE ON-THE-FARM PROCEDURE FOR PRESERVING BOAR SEMEN.
Marc Footage	THE SCIENCE OF GENETICS HAS A LONG HISTORY, BUT THE POOL OF IDEAS IS STILL BEING ADDED TO. LONG-TERM STUDIES OF HETEROSIS, OR HYBRID VIGOR, HAVE INCREASED YIELDS IN CATTLE HERDS ACROSS THE NATION. RESEARCHERS AT THE U.S. MEAT ANIMAL RESEARCH CENTER, CLAY CENTER, NEBRASKA, STUDY NUMEROUS DESIRABLE CHARACTERISTICS ENHANCED BY SELECTIVE CROSS BREEDING. FOR EXAMPLE: GROWTH RATE, REPRODUCTION ABILITIES, FEED USE EFFICIENCY AND MEAT QUALITY. COMPARATIVE STUDIES USING OVER 25 DIFFERENT BREEDS HAVE BEEN COMPLETED. MEASUREMENTS WERE MADE
SUPER: Improved quality Increased production Lower cost	THROUGHOUT THE LIVES OF THE ANIMALS. AS A RESULT, THE BEST TRAITS ARE BEING INCORPORATED INTO HERD IMPROVEMENT PROGRAMS. THE PROGRAM BENEFITS BOTH FARMERS AND CONSUMERS: IMPROVED QUALITY AND INCREASED PRODUCTION AT LOWER COST.

SCENE	NARRATION
CRT Screen	OTHER ARS RESEARCHERS ARE USING COMPUTER MODELS TO HELP AMERICAN FARMERS BREAK DOWN YIELD BARRIERS.
Computer Room	IN MISSISSIPPI A RESEARCH TEAM IS DEVELOPING A COMPUTER MODEL FOR COTTON FARMERS WHICH ALLOWS THEM TO SIMULATE THE GROWTH OF A COTTON PLANT--FROM ROOTS TO BUDS TO BLOSSOMS TO OPEN BOLLS. DURING THE SIMULATION, SCIENTISTS CAN PROGRAM IN VARIABLES AFFECTING GROWTH, SUCH AS: SOIL PH, RAINFALL, SOIL TEMPERATURE AND FERTILIZER APPLICATIONS.
Farmer	WHEN THE COMPUTER MODEL WORK IS COMPLETED, THE PROGRAM WILL BE AVAILABLE TO FARMERS, WHO CAN THEN PREDICT AND SOLVE PROBLEMS AFFECTING COTTON PRODUCTION, THUS MINIMIZING COSTS WHILE MAXIMIZING RESULTS. DECISIONS REGARDING PESTICIDES, IRRIGATION OR FERTILIZATION COULD BE MADE USING INFORMATION FROM THE COMPUTER MODEL.
Growth	SEVERAL HIGHLY SOPHISTICATED CONTROLLED-ENVIRONMENTAL CHAMBERS PROVIDE DETAILED ANALYSES OF FACTORS NEEDED TO DEVELOP THE COMPUTER MODEL. SOME ASPECTS OF GROWTH, SUCH AS MOISTURE LEVELS, ARE VARIED FROM CHAMBER TO CHAMBER. THE RESULTS ARE MEASURED AND ANALYZED. VARIABLES ARE SUMMARIZED IN MATHEMATICAL FORM, THEN ENTERED INTO THE MODEL'S DATA BASE.
Computer	SIMILAR COMPUTER MODELS ARE BEING DEVELOPED TO SOLVE SOYBEAN AND WHEAT PROBLEMS. A RICE MODEL IS PLANNED.
Baylor Footage	THE ARS CHILDREN'S NUTRITION RESEARCH CENTER IS LOCATED AT THE BAYLOR COLLEGE OF MEDICINE IN HOUSTON, TEXAS. HERE, A TEAM OF SCIENTISTS IS WORKING ON NEW STANDARDS FOR INFANT NUTRITION

SCENE	NARRATION
	USING STABLE ISOTOPES. EARLIER RESEARCH ON INFANT NUTRITION PROVIDED CERTAIN BASIC ASSUMPTIONS ABOUT THE UTILIZATION OF INFANT FORMULA AND MOTHER'S MILK.
	THE TEAM DEVISED SAFE TECHNIQUES FOR TESTING THESE ASSUMPTIONS AND FINDING OUT WHAT ACTUALLY HAPPENS INSIDE A BABY'S BODY.
	A STABLE ISOTOPE OF CARBON 13 IS PUT INTO THE INFANT'S OR THE MOTHER'S FOOD SUPPLY. INTAKE AND OUTPUT CAN BE ACCURATELY MEASURED USING A MASS-SPECTROMETER TO ANALYZE BREATH SAMPLES AND GAUGE NUTRITIONAL VALUE.
	SIGNIFICANT FINDINGS HAVE COME TO LIGHT. INFANTS ARE ABLE TO DIGEST CEREALS AS EARLY AS ONE MONTH AFTER BIRTH, INSTEAD OF 4 TO 6 MONTHS. THE CARBON 13 STUDY SUGGESTS THAT DIGESTION TAKES PLACE IN THE COLON, NOT THE INTESTINE.
Baby	THESE INVESTIGATIONS REPRESENT THE LONG TERM APPROACH TO A NEW UNDERSTANDING OF HUMAN NUTRITION AND FOOD NEEDS.
Trickle (mold)	IN PEORIA, ILLINOIS, LONG TERM MYCOTOXIN RESEARCH LED TO THE DEVELOPMENT OF THE TRICKLE AMMONIA PROCESS FOR DRYING CORN AND PREVENTING MOLD GROWTH. THE PROCESS LETS FARMERS USE LOW-TEMPERATURE DRYING SYSTEMS ON CORN THAT HAS A HIGH MOISTURE CONTENT. ECONOMICAL, EASILY TO INSTALL AND MAINTAIN, THE PROCESS GIVES FARMERS AN EXCELLENT FEED FOR LIVESTOCK.
Orange tree	ANOTHER PROJECT RECENTLY IN THE LIMELIGHT IS THE BREEDING WORK FOR DEVELOPING FREEZE-TOLERANT CITRUS TREES. IN ORLANDO, FLORIDA, ARS SCIENTISTS HAVE BRED U.S. VARIETIES WITH OTHER CITRUS RELATIVES FROM AUSTRALIA AND CHINA. MORE WORK IS BEING DONE ON IMPROVING THE FLAVOR OF THE NEW COLD-RESISTANT VARIETIES.

SCENE	NARRATION
Farmer	THESE AND OTHER DISCOVERIES HAVE HELPED THE AMERICAN FARMER TO INCREASE HIS YIELDS DRAMATICALLY. BUT WE CAN'T STAND STILL. BETTER PRODUCTION TECHNIQUES MUST BE FOUND; TECHNIQUES THAT ARE COST-EFFECTIVE AND MORE IN TUNE WITH NATURE, TECHNIQUES TO FEED A GROWING POPULATION FROM SHRINKING AGRICULTURAL ACREAGE.
	NEW KNOWLEDGE AND BETTER UNDERSTANDING ARE NEEDED TO FORM SOLUTIONS TO FARMERS' PROBLEMS. RESEARCH OF THE PAST HELPS SOLVE TODAY'S PROBLEMS. TODAY'S RESEARCH WILL HELP SOLVE TOMORROW'S PROBLEMS.
Lab footage Scientists	THE AGRICULTURAL RESEARCH SERVICE IS COMMITTED TO AGRICULTURE AND THE FARMER NOW AND FOR THE FUTURE. ARS IS ACTING ON THIS COMMITMENT BY MAINTAINING OUTSTANDING RESOURCES AND A CONDUCIVE ENVIRONMENT FOR CREATIVE SCIENTISTS TO UNDERTAKE SHORT-TERM AND LONG-TERM RESEARCH IN A NUMBER OF FIELDS. THIS COMPLEX OF RESEARCH IS THE CORNERSTONE FOR DEVELOPMENTS THAT WILL ENSURE AMERICA AND ITS PEOPLE A STRONG AND ENDURING AGRICULTURE.

BUDGET REQUEST

Dr. Kinney. Mr. Chairman, I would like to take a few minutes and walk through some charts.

First of all, we are asking for a $5.9 million program increase for research this year. In the area of animal production, we are requesting about a $1 million increase. This includes $400,000 for genetic improvement; $400,000 for genetic resistance to diseases and parasites; and, in support of APHIS, $200,000 for diseases. We are requesting about a $1.2 million increase for plant protection research. About $400,000 of this is related to biocontrol of beneficial insects research; $200,000 for disease resistance; $600,000 for quarantine treatments, again to support the APHIS program. For plant production efficiency research, we are asking a $2 million increase. This includes $400,000 for germplasm enhancement; for cropping systems and soil fertility work, a $1,150,000 increase; and for conservation tillage, $450,000. Much of this is in support of Soil Conservation Service programs.

We are asking for a $1.7 million increase for post-harvest technology related to losses, quality of products, and exports; for EDB alternatives, we are asking for a $300,000 increase; meats research, $150,000, primarily to study meat composition; cotton ginning, $200,000; $150,000 for aflatoxin; and $900,000 related to plant and animal mechanisms related to quality. It is time we started looking for things taking place in the plants in the growing process that ultimately affect the quality of the product. We don't often enough tell you some of the things that we have done and we have been asked to do that.

[The charts follow:]

Areas of Emphasis—FY 1985

- Animal production efficiency
  - —Genetic improvement
  - —Diseases
- Plant protection (insects, diseases, weeds)
  - —Biocontrol
  - —Genetic improvement
  - —Quarantine treatments
- Plant production efficiency
  - —Germplasm enhancement
  - —Cropping systems/fertility
  - —Conservation tillage
- Post harvest (losses, quality, exports)
  - —EDB alternatives
  - —Meats
  - —Cotton ginning

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ARS Technology Transfer

- Key users
    - —Farmers and ranchers
    - —Industry
    - —Consumers
    - —Extension
    - —Action agencies
    - —State and local governments

Program Increases From Administrative Savings

- Soil conservation and use
  - —Control erosion (Lafayette)
  - —Improve fertility (Ithaca)
- Animal production efficiency
  - —Improve cellulose conversion (Peoria)
  - —Control disease-carrying insects (Gainesville)
- Plant protection
  - —Improve crop pest and disease resistance (New Orleans)
  - —Develop biological control for wheat soil pathogens (Pullman)
  - —Control poisonous range weeds (Logan)

USDA/ARS

Program Increases From Administrative Savings (cont.)

- Post harvest (losses, quality, exports)
    - —Develop alternatives to EDB fruit fumigants (Fresno)
    - —Improve wheat quality (Pullman)
    - —Improve cotton fiber quality (New Orleans)
    - —Eliminate meat and catfish off-flavors (New Orleans)
    - —Improve processing for pickles (Raleigh)
    - —Control deterioration of grains (Albany, Peoria)
    - —Develop higher—valued products from soybean and cottonseed (New Orleans)

Program Increases From Administrative Savings (cont.)

- Plant production efficiency
  - —Improve small grains germplasm (Albany)
  - —Improve yield potentials of sugarbeets (Logan)
- Agricultural systems
  - —Develop crop-forage-livestock production systems (Columbia, Raleigh)

Research for Farmers and Ranchers

- Water conservation
  - —Irrigation systems
  - —Ground water
- Poultry
  - —Mycoplasma vaccine
  - —Coccidiosis vaccine
  - —Processing
- Weed control
  - —Biocontrol with pathogens
  - —Herbicide seed coating
  - —Conservation tillage
- Mastitis
- Plant diseases
  - —Walnut blackline
  - —Potato virus

USDA/ARS

Research for Farmers and Ranchers (cont.)

- Insect control
  - —Bollweevil
  - —Gypsy moth
  - —Fire ant
  - —Ticks
- Improved crops
  - —Soybeans
  - —Peanuts
  - —Range grass
  - —Barley
  - —Carrots
  - —Rice
- New products
  - —Cotton-wool blends
  - —Leather
  - —Milk
- Human nutrition
  - —Trace elements
  - —Nutrient composition

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TECHNOLOGY TRANSFER

Dr. KINNEY. We have been urged many times to take a look at our technology transfer, how rapidly we get the technology out. This year we have developed a technology transfer program that details what we are doing, thinking, and what we intend to do in the future.

I would like to submit for the record an executive summary of that planning. In 1983, we had about 165 staff-years of effort going into direct technology transfer. We had about 61,000 contacts with the users listed here—farmers and ranchers, industry, consumers, and so forth—and over the last 5 years ARS has obtained 215 patents on new developments. We are giving close attention to our technology transfer. We are not satisfied where we are. We will continue to improve and we will report back more effectively to our Congress about what we are doing.

[The information follows:]

AGRICULTURAL RESEARCH SERVICE TECHNOLOGY TRANSFER PLAN

EXECUTIVE SUMMARY

Since 1953—when the Agricultural Research Service (ARS), U.S. Department of Agriculture (USDA), was established as the Department's chief research organization—the prompt transfer of the Agency's technology (scientific findings) to the public has been a major activity. Key users of ARS findings include farmers and ranchers, agriculture-related industries, the Cooperative Extension Service, the Soil Conservation Service and other action agencies, State and local governments, and consumers and consumer groups. The ARS has—in its research and technology transfer activities—recognized the need for findings that can solve problems and be integrated into the management systems of farmers, industries, and other users. Moreover, transfer activities provide a route for feedback from users to ARS. Such feedback indicates not only whether the integration of ARS technology into users' operations has increased efficiency but also identifies users' needs for additional or new technology.

The first policy for implementation of the ARS Program Plan is—"The Administrator will operate ARS as a managed activity coordinated by plan." The ARS is following that policy by organizing its activities for the dissemination of research findings into the Technology Transfer Plan.

The objectives of the ARS Technology Transfer Plan are to—

1. Inform users and potential users of ARS capabilities, research programs, and cooperative stance;
2. Collect from users any feedback on their experiences with adopted ARS technology that could improve the planning and evaluation of research;
3. Interest and assist users and potential users in developing new technology from ARS findings and in modifying their operations for its adoption; and
4. Encourage and assist users in exploiting directly applicable ARS research findings.

Mechanisms for achieving the objectives of the ARS Technology Transfer Plan are—

1. Direct communications between scientists and users;
2. Involvement of users and potential users in research planning and evaluation;
3. Joint research with users and potential users;
4. Transfer of ARS research findings to the Cooperative Extension Services by computer;
5. Research reporting by ARS Information Staff;
6. Patent activities;
7. Participation in the Federal Laboratory Consortium; and
8. System for electronically collecting, storing, and retrieving the latest research findings for technology transfer.

In 1983, approximately 85 staff-years of effort by ARS scientists went toward the technology transfer objectives. ARS scientists spent between 3 and 4 percent of their time making more than 61,000 contacts with all key user groups. Contacts by scientists included—in order of declining importance—individuals; joint research arrangements; formal meetings with groups; technical adviser to groups; demonstrations, field days, etc.; articles in trade press; and public media.

Additionally, in 1983, other ARS groups—which contributed 80 staff-years to technology transfer—included the ARS Information Staff, specialists engaged in patent-related activities, and the National Program Staff. During the last 5 years, 215 patents resulted from ARS research. The ARS maintains close liaison with the National Technical Information Service to move ARS patents into commercialization.

A few examples of ARS technology successfully transferred to key users in recent years include:

Alternatives to Mirex for fire ant control benefiting farmers and the general public.

Elimination of toxicity problems with tall fescue that will save cattlemen $200 million.

An automated system for handling live poultry that saves the industry $12 to $14 million per year.

Durable flame-retardant treatment for 100-percent cotton fabric. In 1982 more than 8 million yards of fabric were treated. Uses include uniforms for astronauts.

Erosion-Productivity Impact Calculator. Provides invaluable information on soil erosion that is being used by Soil Conservation Service, Economic Research Service, other researchers, and Extension to develop programs for conserving soil productivity.

Export technologies for U.S. commodities in European markets. With the assistance of the Foreign Agricultural Service, a multimillion dollar market was developed for U.S. watermelons, lettuce, Texas grapefruit, and kiwi fruit.

In ARS, technology transfer is an integral factor in all phases of research planning. The function of technology transfer—the dissemination of research findings to the public—is the culmination of all ARS activities. To enhance that function and carry it out most efficiently and effectively, ARS is organizing all its related activities—present and proposed—into the Technology Transfer Plan. The activities will be more formally structured, coordinated, and tracked. Research managers will encourage, support, and reward the efforts and will include tactics and allocations for them in annual research and management plans. Use of modern electronic communication and automation systems will be increased. Technology transfer will be represented by a coordinator on the National Program Staff and will be monitored and assisted by the ARS Office of Research and Technology Applications.

REALINEMENT OF ORGANIZATION

Dr. KINNEY. One other thing I need to mention. In the last 2 years we have taken a very detailed and hard look at our organization to find out if there are some things we are doing now that we don't need to continue, so that we can redirect funds and other resources back into research. During the past year, we have realined the organization of ARS, we have reduced our area offices from 25 to 11 areas and centers, and we have changed the responsibilities of the administrative program people, the scientists or the line people, and the staff. As a result, we have saved in excess of $6 million and 200 positions that we are turning back into research. We are not doing this by mirrors or magic or innovative bookkeeping. Wherever we made the savings, whether in Peoria, Ill., or New Orleans, La., we put those funds into research right there.

For soil conservation and use we put $336,000 back. For animal production we put some $780,000 back this year. For plant protection, $621,000 went back into research. For plant production efficiency, $1,140,000; for agricultural systems, $349,000; and for post harvest—losses, quality, exports—$3,875,000 has gone back into research.

We are reasonably well satisfied now that we have a lean, efficient management organization, but I intend to look at it further.

RESEARCH ACCOMPLISHMENTS

We don't too often tell you about our success stories. Every year we put into our report a listing of the progress in some of the research that we are doing for farmers and ranchers. In the area of water conservation, we are looking at automated irrigation systems and the use of groundwater in limited irrigation systems, because we are concerned about two things: the diminishing reserves of groundwater; and second, being able to develop plants that will produce effectively with less water.

In the poultry area we have developed a killed bacteria, mycoplasma vaccine, that is going to be revolutionary for the poultry industry. We have developed processing methods so we can remove the breast and thigh meat from poultry carcass without eviscerating. That would be a tremendous saving in time and labor.

In the area of conservation tillage, we are primarily looking at weed control. We are spending a great deal of effort on this problem, and we have had some major breakthroughs in conservation tillage. In regard to plant diseases, after several decades of confusion, we have discovered what causes walnut blackline disease. We have detected a virus, and we are now able to produce nursery stock free of the virus, which is going to solve the longstanding problem for the walnut producers.

In insect control, we have produced sterile male bollweevils. I am convinced personally that we can in the next few years eradicate the bollweevil if we want to. We have an improved virus that attacks the gypsy moth. We are not optimistic about controlling the gypsy moth, but we are making progress.

We have broken the 100-bushel barrier in soybean yield in our experimental work. We have four new chemicals for the fire ant. We have developed a variety of rice and barley that doesn't lodge, and it was tested by mother nature in a hurricane down in Texas, so we know it works. We developed a new cleaning process of cotton and wool so we can produce blends with desirable properties. We have a new process for leather—and we have an example in your bag—where we don't have to use solvents in the conventional manner, but we use ultraviolet irradiation and produce a better product, with no air pollution, and with more safety.

In human nutrition, we found that zinc in infants' diets is related to the development of some level of intelligence. We found that there is an interaction between copper and cholesterol. That is going to be interesting in terms of human nutrition related to heart disease.

Mr. Chairman, that concludes my remarks.

[The statement follows:]

STATEMENT OF DR. TERRY B. KINNEY, JR.

Mr. Chairman and members of the Committee, I am honored to appear here again. This Committee addresses the far-reaching agricultural issues that are critical to the economic and social well-being of this Nation. It has been noted, Mr. Chairman, that agriculture is the foundation of the American economy. It is the country's biggest industry, employer and biggest dollar earner in foreign trade. Mr. Chairman, we know that agricultural research has laid the cornerstone of our economic foundation. This Nation's farmers depend on our publicly supported agricultural research system for the knowledge and tools they need to make and keep our economy strong!

Agricultural research has been the principal factor contributing to the unparalleled standard of living enjoyed by our citizens.

Technological developments--the products of science--have enabled the Nation's farmers to--

- o Increase yields for every major crop;
- o Triple productivity of most farm lands;
- o Overcome losses caused by disease and insects;
- o Grow crops in areas once barren;
- o Use efficient equipment; and
- o Protect soil and water resources.

This Nation's consumers are the ultimate beneficiaries of investments in agricultural research. Year round, they have reliable and economical supplies of meat and all other foods of superior quality and wholesomeness. They pay less of their disposable income for food than do consumers in any other Nation. In short, food is the American consumer's best buy! The ARS is an integral part of the total U.S. agricultural research system that enables farmers to set and maintain such records.

You, the members of this Committee, are highly knowledgeable about the operations and responsibilities of the Agricultural Research Service (ARS) and have made very clear what you expect of the Agency. Again this year, we have included for you in the Explanatory Notes an extensive list of the program accomplishments that will help farmers and others do their jobs. We also will submit an information sheet for each of the problems that you cited in last year's Report on Appropriations. We have not lost track of our prime constituents--this Nation's farmers. In fact, we have devoted extra effort this year toward serving that constituency. We plan to provide you with timely reports on program accomplishments during the year.

Let me review some major activities of this fiscal year. We have worked even more closely than before with farmers, agricultural industries, action agencies, and other users of scientific knowledge to improve our understanding of their research needs. ARS identifies broad problems in six major categories--soil and water, plant production, animal production, product use, human nutrition, and integration of systems. Through in-depth discussions with farmers, industry, and others who benefit from research findings we are identifying the specific technical problems that can be solved through specific research approaches. We now are in a better position for the next fiscal year to respond to the changing needs of technology users by either redirecting current research programs or planning new ones. We share the joint responsibility with farmers and other clients to make sure that ARS is fully aware of and actively considers agricultural problems that need attention.

This fiscal year we have reviewed ARS procedures for setting priorities among research projects. The most important criterion is a simple question--"Is there a problem that ARS can solve?" Other criteria generally relate to the role and responsibilities of ARS as a Federal research agency. These include--problems of national scope and priority; research that is relevant to the ARS mission but will not or cannot be done by either the States or the private sector; long-term, high-risk research; potential benefits to the public; ARS capability to solve the problem; and probability of successful solution. We have had extensive dialogue with our cooperators in the land-grant system and industry on the issue of Federal vs. State vs. industry responsibility to perform research.

The issue is not yet resolved, but we are leading the dialogue and vigorously seeking logical answers.

We also are increasing our attention to the dissemination of the Agency's research findings to the public--technology transfer. Clearly, the returns from research investments are realized only after the technology generated by ARS has been put to use by farmers and others for sustained, economical delivery of high quality food and fiber to consumers. To achieve those ends, technology users must first be informed of ARS research findings and then be provided the necessary information for integrating those findings into their respective management systems. ARS must have appropriate processes to transfer technology to farmers and other users. We now emphasize the fact that provision for technology transfer must be integrated into the overall planning and conduct of the Agency's research program. Effective technology transfer begins with problem identification and priority setting. I'm glad to report that we--throughout the Agency--have a growing awareness of our responsibility to improve our transfer of technology to all potential users. We have developed an Agency-wide program for technology transfer that spells out specific objectives, responsibilities, and activities in this important function. An important part of the program will be to build on and strengthen ties with the Federal and State Cooperative Extension Services. Over the years the interaction between Extension and ARS has been a vital component of technology transfer.

We emphasize that technology transfer is not new. ARS has always had an effective system to inform the public of research findings. In fact, farmers, industries, and consumers follow our progress, anxiously await new developments, and sometimes even adopt them before the research projects are completed. By deliberately developing a specific process for disseminating research findings, we are ensuring that our technology transfer is as dynamic as our research.

Finally, I offer a status report on the important management improvements that we undertook this fiscal year. We previously advised you and others of changes in our headquarters and field organizations--changes that enable us to more effectively and efficiently carry out the National ARS program mission. Over the past year, we have announced plans to--

- o Reorganize and streamline the National Program Staff;
- o Reduce administrative management by eliminating one layer of administrative support in the Regions;
- o Consolidate information functions; and
- o Enlarge organizational areas and reduce the number of reporting points.

Those changes in administrative and program management are being put in place this fiscal year. They are progressing as planned and will increase the efficiency of operations and increase the emphasis on national program leadership and management. The immediate benefit will be a reduction in overhead costs that will enable us to strengthen research programs and thereby increase our program accomplishments for the benefit of the Nation's farmers.

Mr. Chairman, the ARS Budget recommendation for 1985 is $483 million. This is an increase of $8.3 million over the current 1984 level. The Budget provides for an increase of $14.1 million for research to help offset the pay increases of the prior year and to allow for the enhancement of a few essential programs. Instead of the Morrill-Nelson permanent appropriation, we propose a $2 million increase for higher education grants to the 1890 universities and colleges, Tuskegee Institute, and the University of the District of Columbia. We also propose to terminate the $5 million higher education fellowship grant program that was first funded in FY 1984.

I will be pleased to respond to any question that you may have.

COOPERATIVE STATE RESEARCH SERVICE

Senator COCHRAN. We will continue with the presentation.

Dr. BENTLEY. I would like now to turn to Dr. Jordan, brought in from Colorado State University to be the Administrator of the Cooperative State Research Service.

WHEAT PRODUCTION—50-YEAR PERIOD

Dr. JORDAN. Thank you, Dr. Bentley, and members of the subcommittee. This particular committee has done a spectacular job of bringing to the Congress the fact that research is a continuing process. To underscore the points that I have often articulated, I brought before you today three graduated cylinders, each containing wheat grain, produced on the same amount of land—in fact, on the very same land—per inch of water, whether it be irrigation or rainwater. The same amount of land and the same amount of water, and the only difference is the time line that they are stretched out here on, namely, the amount produced during the Dust Bowl years, the amount produced in 1970, and the productivity in 1983.

Now, there are four major points, perhaps, that go along with this demonstration.

First of all, throughout this 50-year timeframe, a lot of different varieties of wheat were produced and released. Each of them increased productivity in the range of 2 to 4 percent. But it is a kind of compound interest problem, so that when you look over a 50-year timeframe, the result is rather dramatic. As you can see, the difference between the 1983 productivity and the 1933 productivity is 250 percent.

Second, disease and pestilence susceptability moves along with time just as well. What we generally do is stay in the range of 5 to 8 years ahead of disease and pestilence with the new variety. That is to say, if we stop producing those, over time we would be caught and would face the kind of catastrophe that can result from disease and pestilence.

Third, many of the experiment stations, using both State and Federal funds together with resources provided through checkoff systems and so on from the agricultural industries, have produced these new varieties by working together cooperatively—not only among themselves, but also involving the Agricultural Research Service.

The grain before you was actually produced at the Agricultural Research Service center at Akron, Colo. The point is, it is truly a three-part funding and decisionmaking process involving State, Federal, and private industry funding.

The fourth point is probably the most important, namely, that research is not limited to just producing more, it is producing more efficiently; that is to say, with less investment of land and water—and, in fact, these were produced on the same amount of land and exactly the same amount of water. So, the alternative is to produce as much wheat with less water, less land, less fertilizer, insecticides. herbicides, fuel for tillage, and investment of people's time, all of which add up to money. At the same time, you increase the dependability of producing a crop. That is terribly important.

One other point that might be added to this is that concurrent with this kind of production research, heavy emphasis has been put into improving the nutritional quality of the wheat that is produced as well.

RESEARCH ACCOMPLISHMENTS

In the interest of time, Mr. Chairman, with your permission, I will give you some quick vignettes on some other activities that have occurred.

New varieties of rice have been developed in the southern agricultural experiment stations. One of particular interest has increased resistance to hoja blanca disease, and this has been developed using the tissue culture technique that Dr. Bentley already alluded to. It is based upon our knowledge now of being able to move traits from one line of rice to another.

We have also developed out of the McIntire-Stennis program in forestry research a new approach to treatment for subterranean termites. It involves an insecticide that overcomes the historical problem which allowed the insect to wall off the treated area. What really happens is that the termites actually see their colleagues, so to speak, dying from it and they wall off not only the dead bodies of these termites but also effectively the chemicals, so they save the rest of the colony from that treatment. With a better knowledge of termite biology and mode of action of termiticides, the technique now really depends on a less harsh chemical but one that exposes the entire colony to the chemical, killing it, and saving millions of dollars in capital investment in buildings.

With partial funding support from the animal health and disease program, a new vaccine has been developed at Ohio State University for the cattle industry for shipping fever. As you are well aware, this is one of the most devastating problems for the cattle industry of America, particularly for the beef industry, and this new vaccine has been tested in over 10,000 head of cattle without any deleterious effect. It shows promise of being the first truly effective preventive for shipping fever. It wouldn't eradicate it but it would make a significant difference so far as that disease is concerned.

My last vignette has to do with biological control methods under study at the University of California. Looking at the picture before you, on your left you will see an orchard that is infected by the twospotted spider mite, and as you can see, all the leaves, or the bulk of them, are gone. The orchard on the right is similarly infected with that same spider mite but it also has been treated with another mite, a predator mite that feeds on the twospotted spider mite, and it has controlled it quite well.

The secret, in terms of success, is to get a predator mite. In this case, the predator mite must be one that can survive and do well in the presence of pesticides used to control other insects.

AGRICULTURAL RESEARCH SYSTEM

Overall, the CSRS budget helps support a system of 7,500 full-time scientist equivalents including 200 full-time equivalents in the cooperating schools of forestry, about 343 in the colleges of veterinary medicine, 179 in the 1890 Colleges and Tuskegee and their support staff, and additional scientists in other institutions funded through the competitive research grants program.

We are used to seeing, through agricultural research, new varieties of crops, new vaccines, and the genesis of new knowledge. I would like to emphasize another product we often forget about. The system provides training for scientists. In the State agricultural experiment station system there are well over 13,000 graduate students studying techniques for agricultural research. They are funded not only by the CSRS budget, but the State budgets. In fact, the State budgets are three times larger on the average than the CSRS budget, and in some States, much much larger than the CSRS components.

When you put those two pieces together with the private foundation money, and money from other Federal and non-Federal resources, as well as the sale of the products of research, I think, Mr. Chairman, that has to qualify for one of the real bargains for the American people. Where else would you invest 17½ percent in leverage, and influence an entire system?

BUDGET REQUEST

There are some great needs to be filled that are in the fiscal year 1985 budget request. First of all, it would provide support for the current system of the State agricultural experiment stations and the related research organizations with a modest increase, as Dr. Bentley has already said.

Second, it will continue funding for the research facilities programs at the 1890 Colleges and Tuskegee that will allow us to continue a 5-year $50 million capital improvement program.

Third, it allows retention of $15 million of the special research grants program appropriated by Congress in the fiscal year 1984 budget, including $7.2 million in the area of animal health though there are no formula funds provided under section 1433 for Animal Health and Disease.

The big change in the competitive research grants arena permits a new animal science program and a major initiative in the area of agriculture biotechnology.

I would like to point out that if you fund the full level of $50 million in the competitive research grants arena, since the State competitive system has $1.1 billion funding associated with it, and add to that $500 million in the agricultural research service budget, and compare the $50 million to that total, it is less than 3 percent in the area of venture capital. I think this is a real bargain investment on tomorrow's agriculture.

This committee has been a particular champion of the competitive research grants program, so you are well familiar with the kinds of results in the plant science and human nutrition areas. The new animal science program will allow us to address a broad range of questions including animal reproduction efficiency.

BIOTECHNOLOGY INITIATIVE

The urgent need for this biotechnology initiative has been acknowledged by the President's science advisor, the Users Advisory Board, the National Academy of Sciences' Board on Agriculture, and the Joint Council on Food and Agricultural Sciences, as well as the Land-Grant System itself.

As Dr. Bentley has stated, biotechnology research offers tremendous promise to increase yields and decrease our dependence on capital, energy, and natural resources. Biotechnology breakthroughs could significantly increase farm efficiency, increase the profitability of the American farmer, and help maintain our competitive advantage in international trade.

To derive the maximum benefit from the biotechnology initiative, we are going to have to rely on the existing research and extension system and its knowledge of the major problems facing the farmers, ranchers, and agricultural industry of America. It will be necessary for the scientists involved to rely on breeders and multidisciplinary farm systems teams to package the new products in ways that will be of maximum use to farmers and ranchers. We believe that through USDA we can ensure that the new biotechnology research capability is merged with the existing system. This is a continual process that has been going on for a century, Mr. Chairman.

This concludes my prepared remarks. I will be glad to answer any questions, and in doing so I would like to introduce to you two people that had a great deal to do with preparing this document and are here from the State agricultural experiment station system. I would like to introduce Dr. Charles Hess, dean of the College of Agriculture at the University of California at Davis; and Dr. Ted Hullar, director of the New York State Agricultural Experiment Station at Cornell University at Ithaca.

[The statement follows:]

STATEMENT OF DR. JOHN PATRICK JORDAN

Mr. Chairman and Members of the Subcommittee, until quite recently I served within the Land-Grant university system with which CSRS is associated, functioning as the head of all agricultural programs at Colorado State University. In fact I served as Director of the Colorado Agricultural Experiment Station from 1972 until fall 1983, as Chairman of the Experiment Station Committee on Organization and Policy (ESCOP) and as the Experiment Station's representative to the Joint Council on Food and Agricultural Sciences. I tell you this, sir, so that you will understand when I use examples obtained from the State system.

Mr. Chairman, as you are so well aware and have so often stated, research is a continuing process. To underscore that point, you will note before you three beakers containing wheat grain. Each contains the amount of wheat produced on nonirrigated lands on the high plains . . . per inch of rain water on one-tenth of an acre of land during the mid-30s, in 1970 and today. They are the result of cooperative efforts of the State agricultural experiment station system, especially the high plains wheat growing states, and the Agricultural Research Service station at Akron, Colorado. The significance of this demonstration is fourfold:

First: Each new variety introduced over this time period increased production in the range of 2-4%, but over a timeframe of 50 years, the results are dramatic . . . more than 250%.

Second: Disease and insect susceptability also change over time and we generally keep 5-8 years ahead with the crops breeding program as now carried out by the States.

Third: Many of the Experiment Stations using both State and Federal funds share both the burden and the cost of producing new varieties among themselves and with financial assistance from the industry . . . a truly three-part funding . . . Federal, State and private industry. However, it takes many thousands of crosses to produce each successful variety.

Fourth: Research is not limited to producing more, but rather focuses on producing more efficiently -- that is with less investment of natural resources such as water and land, less fertilizer, insecticides, herbicides and fuel for tillage, as well as time, all of which add up to money, and yet with an increased dependability of producing a crop. Major effort is also placed on improving the nutritional quality of the wheat.

Mr. Chairman, those outside of agriculture sometimes ask why we need more agricultural research when the Nation possesses significant surpluses of certain commodities. It strikes me as being analogous to shutting down our school system because we already have large numbers of unemployed who are products of that school system. But we know, sir, that knowledge is never out of vogue ... never in too much supply. We know too, that in the presence of good land, water and weather, a very knowledgeable and capable farmer or rancher depends on new knowledge to maintain the competitive edge . . . especially in a worldwide marketplace.

James Wilson, Secretary of Agriculture from 1897 to 1913 so aptly said, "The future holds many important discoveries still to be made." I believe it is indeed relevant to today.

Very briefly I would like to report to you both the needs and the recent accomplishments of the system in which CSRS participates . . . a system which emphasizes both quality scientists and quality science conducted in the universities of America . . . specifically the State agricultural experiment stations, the Colleges of 1890 and Tuskegee, State schools of forestry, veterinary medicine and home economics . . . a total of 86 institutions plus many others that receive specific grants.

- Recently the SAES system has brought forth significant numbers of cloned calves, the result of techniques developed over a 10 year period at several Land-Grant universities and now adapted for use by the livestock industry. Thus, the techniques to rapidly change the performance of food producing animals are available.

- New varieties of rice have been developed that show promise of greater resistance to hoja blanca disease through a tissue culture technique which takes advantage of new knowledge about transferring traits among rice lines. We, thus, have a new way of obtaining new plant crops. The technique is equally applicable to several other crops and will markedly shorten the time required to modify food producing plants.

- Reduced tillage has been found to change both soil properties and crop growth at the North Dakota Agricultural Experiment Station. Surface soil shows an increase in bulk density, soil strength, organic matter, total nitrogen, phosphorous and potassium but becomes more acid when nitrogen fertilizer is broadcasted and not incorporated with the no-tillage system. Early plant growth is greater. Yet yields are comparable to conventionally tilled soils. The fuel-conserving no-till system improved soil physical properties and resulted in increased resistance to erosion.

- A McIntire-Stennis project in forestry research at the University of Hawaii brought forth a treatment for subterranean termites. It involves an insecticide that overcomes the historical problem which allowed the insect to wall-off the treated area preventing the majority of the colony from contacting the insecticide. Thus, knowledge of the biology of termites and an understanding of the actions of the termiticides have resulted in a more effective control strategy that promises to preserve millions of dollars of capital investment in buildings.

- An Evans-Allen program project by fisheries biologists at the University of Arkansas at Pine Bluff led to the development and refinement of catfish production techniques which have increased fish yields from watershed ponds. By using a combination of cageculture, periodic harvesting and fish removal from open pond areas, annual production may approach that of commercial fish production ponds, thus, providing a significant supplement to family food and income.

- From the Special Research Grants program, we learn that "farming with a relative" has implications for the use of approved soil erosion control practices, according to researchers at the Idaho and Washington State Agricultural Experiment Stations. In the Palouse area of Washington and Idaho, father-son farm operators seem to be more sensitive to maintaining soil productivity for future generations than farmers with no kinship ties in their farm operations. In addition, farmers who expect their children to become farmers are more likely to use erosion control practices than those who expect their children to go into other occupations. These findings suggest that the continuation of the family farm may be important not only for providing income and a desired life style, but also for protecting the productive resources of the soil.

- With partial funding support from the Animal Health and Disease program, the product of more than six years of research by Ohio State Agricultural Experiment Station scientists recently was made available to the cattle industry in a new vaccine to prevent shipping fever. This disease has been the animal health problem of greatest concern to beef cattle producers. The new vaccine involves a novel approach in which the causative bacterium is injected between the layers of the skin. It has been tested in an estimated 10,000 animals with no adverse effects. The new vaccine is considered to be the first really effective preventative for shipping fever.

- Biological control methods under study at the University of California look promising for control of spider mites in orchards. A key to success has been the development of biocontrol agents that are resistant to pesticides needed for control of other insects.

Overall, CSRS helps support a system of 6,781 full time scientist equivalents in the SAES, 200 in the cooperating schools of forestry, 343 in the veterinary schools, and 179 in the 1890 Institutions and Tuskegee, plus support staff, and a varying number of scientists at other institutions funded through Competitive Research Grants. The system provides training for tomorrow's scientists. When put together with funding from States (more than three times larger), private foundations, other Federal and non-Federal funding sources as well as the sale of the products of research, it constitutes one of the genuine bargains for the American people. Where else do you see an average input of only 17.5% to leverage and influence an entire system? Very few States limit their contribution to the required match in our programs. In two States, California and Florida, the CSRS portion of the Station budget is less than 7%.

There is a great need to be filled. The FY 1985 budget request is in concert with the congressionally mandated Joint Council's Needs Assessment Report, Five-Year Plan and the FY 1985 Priorities Report which have been provided to you. We believe that it is a realistic budget with achievable objectives. We are particularly pleased with the strong support given by the Administration to agricultural research despite the urgent need to reduce Federal spending. Specifically, the budget request will:

- Support the current system of SAES and related research organizations.
- Continue the Research Facilities program at the 1890 Institutions and Tuskegee Institute.
- Retain more than $15 million of the Special Research Grants program appropriated by the Congress for FY 1984 including $7.1 million for animal health, although no formula funding is provided under Section 1433, Animal Health and Disease Research.
- Increase Competitive Research Grants to the maximum authorized by law -- $50 million, to permit a new animal science program and a major Administration science initiative in the area of agricultural biotechnology research. This research and its potential payoffs have been ably described by Dr. Bentley. I would like to provide more detail on this initiative because of its importance to the farmer and the scientific strength of the public agricultural research system.

The Competitive Research Grants program is seen as a means to stimulate excellence in fundamental research needed as a foundation for more applied research. Fundamental research now is necessary to provide the knowledge for meeting tomorrow's needs. It provides a mechanism to involve talented scientists in significant agricultural research issues. These scientists come not only from within the traditional research establishment but also from other kinds of institutions, and they have a particular talent needed by agriculture to address a specific question.

The funding for the Competitive Grants program has been essentially level for six years. As noted by the President's Science Advisor, "the success rate for obtaining one of these grants is so low, and the potential research topics so restricted, that many scientists who would be anxious to participate just don't find it worth their while."

Mr. Chairman, I know you are fully aware of the kind of research conducted under the plant science research and the human nutrition research categories. The increase of $4.5 million will broaden the range for animal science research. It will increase the impact of the program overall by having three dimensions covered -- plant science, animal science, and human nutrition. The Animal Science program will allow investigators to address a broad range of animal research questions including a focus on basic physiological processes involved in animal reproduction in order to identify factors influencing reproductive efficiency.

The $28.5 million biotechnology initiative emanates from the scientific community. It will result in a focused, nationally coordinated effort to ensure a good foundation of basic research in biotechnology for agriculture. This program will:

- Include plants, animals, and microbes to obtain a comprehensive understanding of the basic principles of their genetics, biochemistry, physiology, metabolic control, and developmental biology.

- Complement existing programs and build on the capabilities of our excellent research system.

- Allocate funds on a competitive basis, with applications being investigator-initiated and peer-reviewed, and with all scientists in public and private universities, research institutes, and government laboratories eligible to compete.

- Establish a close working relationship with other Federal agencies having complementary grant programs.

Biotechnology has been chosen for a major initiative because of its potential impact on agriculture and because of the widespread scientific recognition that this area holds great promise for the future. Recent advances in genetic and cellular biology, and improved technologies in instrumentation, have laid the groundwork for understanding and making more efficient the basic life processes in commercially important species. The urgent need for this initiative is acknowledged by the President's Science Advisor, the Users Advisory Board, the National Academy of Sciences' Board on Agriculture, and the Joint Council on Food and Agricultural Sciences. The Division of Agriculture of the National Association of State Universities and Land-Grant Colleges has prepared a report entitled, Emerging Biotechnology in Agriculture: Issues and Policies, a copy of which has been provided to you, emphasizing both the significance of this area and the urgency of Agriculture's participation. This unusually widespread consensus has resulted in Administration support for agricultural research in spite of the urgent need to control Federal spending. We understand this is the only new initiative in the life sciences in the Federal budget.

Biotechnology research offers tremendous promise to increase yields and decrease substantially our dependence on expensive capital, energy, and natural resources. Biotechnology breakthroughs could significantly increase farm efficiency, increase the profitability of the American farmer, and help maintain our competitive advantage in international agricultural trade. The research will generate benefits such as conservation of natural resources, reduced costs of food and fiber production, reduced dependency on petroleum-based fertilizer, herbicides and pesticides, improved quality of animal products, and potential environmental and health benefits. This will be done by building new capabilities into the seed, such as increased vigor in drought conditions, increased photosynthesis, built in resistance to pests and diseases to encourage minimum tillage, and greater control over commodity quality factors.

Most public and private biotechnology research is looking at diseases of humans or laboratory animals and altering microbes for industrial purposes. Relatively few investigators are now supported for work on molecular biology of higher plants and animals of agricultural concern. Few plant and animal genes governing commercially important traits have been described and studied in detail. The problems in agriculture are very complex. Higher plants have millions of genes and most desirable traits are governed by the complex interaction of many genes. Bacteria, which are the most studied organisms currently, are simple by comparison. Bacteria have a life cycle of a few minutes, so that alterations are quickly verified; plants and many higher animals take months to mature, and several generations may be necessary to confirm hereditary traits. It is more difficult to transfer genetic material between varieties or species. Many biotechnology techniques will take time to apply to agriculture. But some are already having an impact. Dr. Bentley mentioned the significant breakthrough in developing a genetically engineered, non-infectious vaccine for Foot and Mouth Disease. Also, tissue culture, another biotechnology area, is already being applied at North Carolina State and elsewhere to reduce the process of genetically improving stress resistance in pine trees from 17 years to 1 year for each generation of selection.

The complexity of this undertaking means that a long-term commitment is needed. Only the Federal Government can assure that this commitment is made. Private firms will invest primarily in research that promises short-term payoffs. The Federal Government will have to invest in the long-term, high-risk, expensive fundamental research that leads science into new areas. The private sector will continue to conduct research to further develop the concepts and technology, and then commercialize resulting products.

In addition to increasing the storehouse of knowledge necessary to meet farmers' needs in the future, our pool of scientific talent will be enlarged by attracting new cooperators and involving them in basic agricultural research. These grants will also provide training opportunities for the next generation of agricultural scientists in the new biotechnology applications.

To derive the full benefit from biotechnology, we must rely on the existing familiarity of the research and extension system with the major problems facing farmers and industry. It will also be necessary for scientists in the new biotechnology disciplines to rely heavily on traditional breeders and multidisciplinary farm systems teams to package new products in ways that will be useful to farmers. This reliance on traditional disciplines illustrates the importance of funding the biotechnology initiative through the Department of Agriculture. Through USDA, we can ensure that the new biotechnology research capability is merged with the existing system. This continues a process that has been going on for a century in this country, as agricultural scientists freely enter new frontier areas of science and make new breakthroughs. We cannot begin to shut ourselves off from these new areas without endangering the creativity and productivity of the entire system.

Finally, Mr. Chairman, Fiscal Year 1985 will mark the beginning of our third year of administering the Small Business Innovation Research program for the U.S. Department of Agriculture. The statutorily required funding level determined by a percentage of extramural research funds is estimated at $1.7 million for FY 1984 and $3.0 million for FY 1985. I have been impressed by the quality of the proposals that have been received and funded through this program. The program shows that industry, government, universities, and small businesses can all be significant contributors both to our knowledge base and to the development of techniques that take advantage of that knowledge base for the benefit of American agriculture.

BIOGRAPHICAL SKETCHES

John Patrick Jordan
Administrator, Cooperative State Research Service

Dr. John Patrick Jordan became Administrator of the Cooperative State Research Service in the fall of 1983. He received a Bachelor of Science degree with highest honors in animal sciences from the University of California at Davis, and a Ph.D degree in comparative biochemistry from that same University. He has published widely in agriculture, space medicine, and educational technology. He won both a predoctoral fellowship from the National Institute of Health and a postdoctoral fellowship from the National Science Foundation.

While serving on the faculty of Oklahoma City University, Dr. Jordan applied research technologies developed in agriculture to issues of space medicine, conducting research on energy metabolism for the Mercury, Gemini, and Apollo programs. In 1968 he became an Associate Dean at Colorado State University and was Director of the University-wide Biology Core Curriculum. In 1972 he became Director of the Colorado State University Experiment Station, and a decade later added to that title the executive directorship of the newly developed Institute of Agriculture and the directorship of the Colorado State University Cooperative Extension Service. He is the winner of national recognition awards in research, teaching, and administration. For the last decade he has authored the Food and Agriculture article in Encyclopaedia Britannica's Yearbook of Science in the Future.

Dr. Jordan is a Fellow of the American Association for the Advancement of Science and the American Institute of Chemists. He has served as Chairman and Vice Chairman of the Experiment Station Committee on Organization and Policy, and as the Experiment Stations' representative to the Congressionally mandated Joint Council and Food and Agricultural Sciences.

Edgar L. Kendrick
Administrator, Office of Grants and Program Systems

The Office of Grants and Program Systems (OGPS) was established by the Secretary of Agriculture on January 7, 1983, and Edgar L. Kendrick was named Administrator of OGPS on July 1, 1983. Dr. Kendrick provides administrative leadership to the Competitive Research Grants and Grants Administrative Management Offices, and to some special programs, i.e., intergovernmental agency programs for which the Assistant Secretary of Science and Education is assigned responsibility. Additionally, he provides administrative support for the Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board.

Dr. Kendrick began his career as a Research Plant Pathologist with the Agricultural Research Service (ARS) in Pullman, Washington. As a Research Scientist in the Western Region, he worked with wheat diseases, particularly wheat smut. He was a member of a research team which, in 1960, received the USDA Superior Service Award for their research on wheat smut in the Pacific Northwest. In 1965 he came to Beltsville, Maryland, as Assistant Branch Chief, Cereal Crops Research and in 1968 he became Assistant Director, Plant Science Research Division. From 1972 to 1976 he was the Area Director for Arizona-New Mexico, ARS Western Region. He was appointed Associate Administrator, ARS Southern Region in 1976 and became the Regional Administrator in 1978. He has authored or coauthored more than 50 scientific publications and abstracts. In 1982, he received the USDA Superior Service Award and the Presidential Rank Award of Meritorious Executive for his accomplishments as a research administrator. He served as Acting Deputy Assistant Secretary, Science and Education, from September 1982 to January 1984. Dr. Kendrick received a B.A. degree from the University of California, Berkeley, and a Ph.D. degree from the University of Wisconsin.

Nevin G. Brandenburg
Acting Coordinator, Program Development and Budget Staff

Nevin G. Brandenburg has been engaged in program operations and budget activities with Cooperative State Research Service since 1967. Earlier USDA employment included service with the Agricultural Research Service as Assistant Head, Central Project Office and as a research agronomist. He was a land management agronomist with the U.S. Air Force and a vocational agriculture teacher in Maryland. Dr. Brandenburg, a Maryland native, received a B.S. degree in agriculture education and the M.S. and Ph.D. degree in agronomy at the University of Maryland.

Dr. Theodore L. Hullar

Dr. Ted Hullar is Director of the Cornell University Agricultural Experiment Station, Director for Research for the New York State College of Agriculture and Life Sciences at Cornell University, and a tenured professor of natural resources. The Cornell University Agricultural Experiment Station embraces all of the agricultural, food, and natural resources research, and other closely related research, which is done at Cornell University. A principal unit involved in this broad research program is the College of Agriculture and Life Sciences, which includes more than 450 faculty, over 800 research projects, and a research budget of more than $35,000,000 annually. Dr. Hullar has overall responsibility for the administration of the research programs of 30 university departments.

Prior to joining Cornell University in 1979, Dr. Hullar served as Deputy Commissioner for Programs and Research in the 2,800-person New York State Department of Environmental Conservation from June 1975 to January 1979. In this position he was the senior program officer and was responsible for all the programs of the Department. He was on the faculty of medicinal chemistry at the State University of New York at Buffalo from 1964-1975. Dr. Hullar received his B.S. and Ph.D. (1963) in biochemistry from the University of Minnesota.

Dr. Charles E. Hess

Dr. Charles Hess is the Dean of the College of Agricultural and Environmental Sciences at the University of California, Davis, and Associate Director of the California Agricultural Experiment Station. A native of New Jersey, Dr. Hess began his plant science studies at Rutgers University. He graduated in 1953 Phi Beta Kappa with high honors. He received his M.S. and Ph.D. degrees in 1954 and 1957 from Cornell University. He taught at Purdue University from 1958 until 1966 advancing through the academic ranks to full professor. In 1966 he was named research professor at Rutgers and chairman of the Department of Horticulture and Forestry. In 1971 he became Director of the New Jersey Agricultural Experiment Station and acting dean of the College of Agricultural and Environmental Sciences. When the latter facility was renamed Cook College in 1972, he was appointed its first dean. He accepted his University of California, Davis, post in July 1975.

Dr. Hess has received numerous awards for his work in the physiology of plant growth regulators, particularly those affecting root formation. He has served on state, national, and international advisory boards and commissions including president and chairman of the board of the American Society for Horticultural Science. In October 1982 he received a presidential appointment to a six-year term on the National Science Board and in May 1983 he received an honorary Doctor of Agriculture Degree from Purdue University.

EXTENSION SERVICE

Senator COCHRAN. Thank you very much, Dr. Jordan. Dr. Bentley.

Dr. BENTLEY. I would like to turn the presentation to Dr. Greenwood.

Senator COCHRAN. Welcome, Dr. Greenwood.

Dr. GREENWOOD. Thank you, Mr. Chairman and members of the subcommittee. I appreciate this opportunity to appear before you to discuss the Extension Service's proposed fiscal year 1985 budget.

I have submitted an official statement for the record and will briefly highlight my testimony.

Cooperative Extension is a partnership involving the Department of Agriculture, the land-grant universities, nearly all of the Nation's 3,100 counties, and 1½ million volunteer leaders who assist in extending programs under the direction of the Cooperative Extension staff.

This unique Federal-State-local partnership has functioned effectively for more than six decades. The Cooperative Extension Service was created as a dynamic institution—one with multiple audiences, subject matters, and methodologies with the charge to make scientific knowledge from USDA and the land-grant universities available to those who need it. By its very charter, Cooperative Extension was established as an entity that would modify its programs and outreach to respond to new knowledge, changes in its clientele's needs, and alterations in the socioeconomic landscape.

RECENT ACCOMPLISHMENTS

I would like to briefly describe three recent accomplishments of Cooperative Extension. The first is the development and implementation on October 1, 1983, of a new evaluation and accountability system. This system is the result of recommendations from a national task force comprised of Federal and State staff who studied Extension's accomplishment reporting system.

The new system provides for a 4-year planning cycle, descriptions of major programs to be conducted in the States, and expanded evaluation efforts at the State and local level.

The second accomplishment is the "Extension in the 1980's" report. In 1982, Secretary Block and President Clodius of the National Association of State Universities and Land-Grant Colleges appointed the Joint Committee on the Future of Cooperative Extension to examine the Cooperative Extension system. Generally referred to as the "Extension in the 1980's Com- mittee," it addressed the future mission, scope, priorities, and policies of the system, including the roles and relationships of the three partners. In February 1983, via a national teleconference, the committee issued its report and recommendations to Secretary Block and President Clodius.

The committee concluded that Cooperative Extension is a unique achievement in American education, a major asset to the Nation and the world, but perhaps its greatest achievement is that it helps people to help themselves.

The third achievement is the "Blueprint for the Future" report. Extension reassessed and analyzed its future roles and responsibilities as the Federal partner, and developed a report that addresses departmental and Cooperative Extension priorities. It helps assure close coordination with research and strengthens linkages with other agencies within the Department.

The Cooperative Extension system at all levels has changed in accordance with changing surroundings and has placed primary emphasis on solving this Nation's problems in the following areas: agricultural systems, natural and environmental concerns, community and small business development, home economics and family living, and 4–H youth education and development.

FISCAL YEAR 1985 BUDGET REQUEST

The explanatory notes provided to the committee highlight the results of our Extension program, but I am sure each committee member has observed the benefits of the Extension program in your respective States.

Extension's fiscal year 1985 budget request totals $299,377,000, or $34.9 million less than the fiscal year 1984 appropriation. In developing our 1985 budget, the following were considered to be essential to the continuing efficiency of the Cooperative Extension system: One, to stress Smith-Lever formula funds—allocated to States and territories under sections 3(b) and 3(c) of the act—as the primary mechanism for strengthening Extension programs to address high-priority concerns; and second, to set program and budget priorities within the increasingly constrained Federal budget by eliminating separate funding for several earmarked programs in nutrition, pest management, home gardening, farm safety, and renewable resources.

CHANGES IN FISCAL YEAR 1985 BUDGET

Due to the variability in the kind and depth of agricultural problems, each State is better able to address local, regional, and national problems more rapidly through the use of Smith-Lever formula funds. In fiscal year 1985, we are proposing to increase the Smith-Lever formula funds by $6.5 million to further strengthen State programs.

Let me emphasize that reductions proposed for the earmarked programs result from prevailing tight budget conditions and are not a reflection of the failure of any Extension programs to achieve their mandated goals. Most specifically, proposed reductions in our earmarked programs will consist of: a $25.5 million reduction from the current appropriated level of $60 million for the EFNEP program; total elimination of separate funding for pest management, $7,531,000; pesticide impact assessment, $1,716,000; urban gardening, $3,000,000; and farm safety, $1,020,000.

In addition, total elimination of $2 million available under the Renewable Resources Extension Act, as well as Extension support for the rural development centers and technology transfer pilot projects in Oklahoma and Mississippi.

Mr. Chairman, in developing our budget we were once again faced with very tough choices, but we believe that the priorities established will retain the Cooperative Extension system as an effective extender of relevant information pertaining to food and agriculture in this country.

Before concluding and with your permission, I would like to introduce Dr. Henry Wadsworth from Purdue University, chairman of the Extension Committee on Organization and Policy.

[The statement follows:]

STATEMENT OF MARY NELL GREENWOOD

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you to discuss Extension Service's proposed budget for FY 1985. Cooperative Extension, established in 1914, was designed as a partnership of the U.S. Department of Agriculture and the land-grant universities, as authorized by the Morrill Acts of 1862 and 1890. State legislation enabled local governments or organized groups in the Nation's counties to become a third legal partner in this new educational endeavor.

Today, this educational system includes professionals in each of America's 1862 land-grant universities (in the 50 states, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the District of Columbia) and in the Tuskegee Institute and sixteen 1890 land-grant universities.

Cooperative Extension also includes professional staff in nearly all of the Nation's 3,150 counties. In addition, thousands of paraprofessional staff serve in many counties, and nearly one and one-half million volunteer leaders assist in extending programs under training and direction from Cooperative Extension staff.

At the national level, the federal partnership includes an Extension program staff of about 100 professionals within the U.S. Department of Agriculture; these people direct federal fund allocation, coordinate national initiatives, provide program leadership, and facilitate linkages to the U.S.D.A. and the Congress. This unique federal-state-local partnership has functioned effectively for more than six decades.

The partners in the Cooperative Extension system are interdependent, yet each has considerable autonomy in funding, staffing, and programming. Each component partner performs distinctive functions essential to operation of the total system.

Cooperative Extension links the research efforts of the U.S.D.A. and the land-grant universities in order to make scientific knowledge available to all who need it. The system is characterized by two-way communication between those who work for Extension and those who utilize it; this insures researchers and educators of an early awareness of problems. In addition, it provides direction for research and education efforts and speeds the application of research-born information and discovery.

The Congressional charge to Cooperative Extension, through the Smith-Lever Act of 1914 as amended, is far ranging.

> "...to aid in diffusing among the people of the United States useful and practical information on subjects relating to Agriculture, uses of solar energy with respect to agriculture, home economics, and rural energy and to encourage the application of the same ...extension work shall consist of the giving of instruction and practical demonstrations in agriculture, uses of solar energy with respect to agriculture, home economics, and rural energy and subjects relating thereto.

Further direction was set forth in the Bankhead-Jones Act of 1935 which specified:

> "...the establishment and maintenance of a permanent and effective agricultural industry including...the development and improvement of the rural home and rural life, and the maximum contribution of agriculture to the welfare of the consumer and the maintenance of maximum employment and national prosperity,..."

The Cooperative Extension Service was thus created as a dynamic institution, one with multiple audiences, subject matters, and methodologies. By its very charter, Cooperative Extension was established as an entity that would modify its programs and outreach in response to such factors as new knowledge, changes in its clientele's needs, and alterations in the socio-economic landscape.

In this regard, policy issues and concerns have surfaced from numerous sources in recent years to challenge the basic concept and relationships of the Cooperative Extension system, including the role of the federal partner, Extension Service.

Congressional Oversight Hearings, the Evaluation Study of the Economic and Social Consequences of Extension Programs, the Joint Committee on the Future of Cooperative Extension--each have studied and scrutinized Extension programs and their impact on the American people.

Under Congressman George Brown (California), chairman of the House Agriculture Subcommittee on Department Operations, Research, and Foreign Agriculture, oversight hearings on Cooperative Extension began in 1982. After analyzing information from decisionmakers in federal, state, and local governments and from Extension staff nationwide, the Oversight Committee identified 11 issues to address during its deliberations. These issues included, but were not limited to, mission and scope of extension, clientele served, formula distribution, impact of new communications systems, and the role of the federal partner.

In 1980, a national task force comprised of federal and state staff studied the accomplishment reporting system within Extension. Their recommendations are incorporated in the new accountability and evaluation system currently being implemented under federal leadership throughout the Cooperative Extension system.

In 1982, Secretary of Agriculture John Block and President Robert Clodius of the National Association of State Universities and Land-Grant Colleges, appointed a blue ribbon committee--the Joint Committee on the Future of Cooperative Extension--to examine the Cooperative Extension system. Generally referred to as the "Extension in the '80s Committee," it addressed the mission, scope, priorities, and policies for the future of the system, including the roles and relationships of the three partners. This committee released its report and recommendations in February 1983 to Secretary Block and President Clodius via a national teleconference which the Extension Service extended electronically to 55 sites nationwide.

The official report, "Extension in the '80's, A Perspective for the Future of the Cooperative Extension Service," concludes that socioeconomic change across the country, while with us since the Nation began, has been occurring even more rapidly in the past decade. To remain a vital force during such rapid change, both now and in the future, the Cooperative Extension system must be prepared to modify its organization, focus, and use of resources. Priorities need to be set as the Cooperative Extension system reviews its programs and future plans.

As a response to these challenges, we at the Extension Service, USDA, analyzed and reassessed our roles, responsibilities, and future directions, and developed a "blueprint for the future," or agencywide plan of action. This plan of action addresses Department and Cooperative Extension system priorities through eight goals and objectives. It assures continuing close coordination with research and strengthened linkages with other USDA agencies and other Departments of the federal government. We will evaluate it regularly, note progress, and make adjustments as needed.

The blueprint is dynamic, innovative, designed to increase productivity. Its strength as well as its success depends upon our capacity to remain flexible and responsive as the needs of people and the priorities of the Cooperative Extension system and the Department continue to change. We consider this blueprint as our commitment and challenge for the '80's and beyond.

Mr. Chairman, Cooperative Extension at all levels of partnership has changed in accordance with changing surroundings, with primary emphasis on solving this Nation's problems in the following areas:

- Agricultural systems
- Natural and Environmental concerns
- Community and Small Business Development
- Home Economics and Family Living
- 4-H Youth Education and Development
- International concerns

I would now like to discuss the budget we are proposing for FY 1985.

FY 1985 Budget

Our FY 1985 Budget request totals $299,377,000, or $34,963,000 less than the FY 84 appropriated level of $334,340,000. Our proposed FY 1985 Budget was built upon the following considerations which are essential to the continuing efficacy of the Cooperative Extension system:

- Continue to stress Smith-Lever formula funds (allocated to States and territories under Section 3b & c of the Act) as the primary mechanism for strenghtening extension programs to address high-priority concerns of our agricultural system, natural and environmental resources, home economics/ family living, 4-H and youth education and development, community and small farmers development and international concerns.

- Address the need to set program and budget priorities within the increasingly constrained federal budget for Extension by eliminating the separate funding for several earmarked programs in nutrition, pest management, home gardening, farm safety, and renewable resources.

Given the need to reduce Federal deficit expenditures at every opportunity, both our State cooperators and this Department strongly support these criteria as the only means available to the Cooperative Extension system whereby it can continue on as a viable operating mechanism in our communities in 1985, and in later years should tight budgets persist.

Due to the variability in the kind and depth of agricultural problems, each State is better able to address a host of local, regional, and national problems more rapidily through the use of Smith-Lever formula funds. In FY 1985, we are proposing to increase these funds by $6.5 million to further strengthen State programs in developing: systems approaches to farm/ ranch production and management problems; financial management needs of both producers and families; marketing strategies for agricultural producers; and conservation and proper management of our dwindling soil and water resources.

Let me also emphasize that the reductions proposed for most of the earmarked programs result from prevailing tight budget conditions and not a reflection of the failure of any of these programs in achieving their mandated goals. On the other hand, these programs have been so successful to the extent that

Smith-Lever formula funds are currently being utilized in many States to enhance these efforts. Thus, our proposed reductions for these programs will not necessarily result in eliminating program activities in these areas. In most cases, high-priority aspects of these programs will be continued in most States and perhaps even enhanced as critical need for such efforts arise and other Extension funding becomes available.

More specifically, proposed reductions in our earmarked programs will consist of:

- EFNEP - A minus $25,533,000 from the $60,354,000 available in FY 1984 for a proposed funding level of $34,821,000 in FY 1985.

- Total elimination of separate funding for: Pest Management, $7,531,000; Pesticide Impact Assessment, $1,716,000; Urban Gardening, $3,000,000; and Farm Safety, $1,020,000.

In addition, total elimination of $2 million available under the Renewable Resources Extension Act, as well as Extension support for the Rural Development Centers ($500,000) and Technology Transfer pilot projects ($350,000) are proposed.

In conclusion, Mr. Chairman, we were once again faced with very tough choices in FY 1985, but we believe that the priorities we established with our State Cooperators will keep us as a viable partner within the Cooperative Extension system, and effective extenders of the agricultural research needs of the food and agriculture community. I will be pleased to respond to your questions.

NATIONAL AGRICULTURAL LIBRARY

Dr. BENTLEY. Now our final presentation this morning, Joseph Howard, Director of the National Agricultural Library.

Mr. HOWARD. Thank you, Mr. Chairman. I welcome this opportunity to appear before you to discuss the proposed fiscal year 1985 budget for the National Agricultural Library.

As I testified last year, an interagency panel was established in 1982 by Secretary Block and charged with the assessment of the National Agricultural Library, and produced a report which is commonly referred to as the Blue Ribbon Panel report.

In October, we brought the membership of this panel together again for the purpose of giving them a progress report and seeking their further advice. The summary document of this meeting has also been sent to the librarians of the Land-Grant Universities for comments, and was discussed with them at the American Library Association meeting in January. They also applaud the support that the NAL received from the Congress in the 1984 budget. This 1985 budget request reflects advice that we have received from all interested parties and the strong recommendation that NAL improve basic services and take the lead as the Nation's primary information resource on agricultural related sciences.

The past year has been an extremely busy and rewarding year. Progress has been made in many ways. As an example, we are particularly pleased with our effort at implementing standards on a national level making it possible to share information without costly duplication. While we have a long way to go before reaching our goal, we have made measurable progress so far.

We propose a fiscal year 1985 budget of $11,661,000 or an increase of $1,279,000 from the fiscal year 1984 amount, including transfers made during the year, of $10,382,000.

This is the general broad thrust of our request. I will be glad to answer questions that you might have.

Senator COCHRAN. Thank you.

[The statement follows:]

STATEMENT OF JOSEPH H. HOWARD

Mr. Chairman and members of the Subcommittee, I welcome this opportunity to appear before you to discuss the proposed fiscal year 1985 budget for the National Agricultural Library (NAL). I would like to introduce the Associate Director, Mr. Sam Waters.

Last year when I testified before this committee, I was on loan from the Library of Congress; last July, I was named as the permanent Director. As I testified last year, an interagency panel was established in 1982 by Secretary Block and charged with the assessment of the National Agricultural Library — commonly referred to as the "Blue Ribbon Panel."

In October, we brought the membership of this panel together again for the purpose of giving them a progress report and seeking their further advice. The summary document of this meeting has also been sent to the librarians of the Land-Grant Universities for comments and was discussed with them at the American Library Association meeting in January. It is gratifying to know that they also appreciate and support the efforts that we are making as a result of the "Blue Ribbon Panel" report. They also applaud the support that NAL received from the Congress in the 1984 budget. This 1985 budget request reflects advice that we have received from all interested parties and the strong recommendation that NAL improve basic services and take the lead as the Nation's primary information resource on agricultural related sciences.

The past year has been an extremely busy and rewarding year. Progress has been made in many ways. As an example, we are particularly pleased with our effort at implementing standards on a national level making it possible to share information without costly duplication. While we have a long way to go before reaching our goal, we have made measurable progress so far.

We propose a fiscal year 1985 budget of $11,661,000 or an increase of $1,279,000 from the fiscal year 1984 amount of $10,382,000.

The additional request includes $500,000 to Improve National Agricultural Library Programs. These funds will be used to improve our programs to USDA employees as well as throughout the land-grant system. Examples of such programs include the processing of agricultural books and journals in a way that information can be shared with the nation, and the strengthening of cooperation nationally and internationally.

An increase of $400,000 is requested for Automation and Technology. This increase will enable NAL to update its computer capability through replacement of outdated equipment and installation of new software.

An increase of $200,000 is requested to Improve Collections and Services. This would allow NAL to provide an adequate level for purchasing books and journals and to plan, develop, establish and maintain specialized subject information services for fields such as aquaculture, grain dust safety, farm-land protection, etc.

A $100,000 increase for Preservation. With this request, we will renew our efforts to preserve important materials which are deteriorating at a rapid rate.

In addition $93,000 is also requested for the coverage of pay costs absorbed in fiscal year 1984. A decrease of $14,000 is included for a phased reduction of positions in grades GS/GM 11-15.

Mr. Chairman, I will be happy to answer any questions that you might have.

SUMMARY OF SCIENCE AND EDUCATION REMARKS

Dr. BENTLEY. Might I summarize with one additional statement, Mr. Chairman. One of the things that I am proud of as far as science and education agencies are concerned, is the concerted effort that has been made to look at planning structure and the decisionmaking process. Each of these agencies has completed, in the past year or so, major studies of their organization and the planning process in setting priorities. This involved the Joint Council on Food and Agricultural Sciences.

As you know, the Congress has mandated that there be such a group, and this has been an effective group in looking at needs and priorities. We have now completed a needs assessment study—a copy of which has been submitted to the Congress, members of the staff, and your committee, and has been widely distributed within the land-grant system. Therefore, we will have the benefit of the recommendations made by the Council.

There has been an attempt at identification of high priority needs, and I want to be sure we note that, in the needs, they identify the development of human expertise, training, and recruiting more young men and women into agricultural sciences and into management positions of the sort that will be needed in agriculture now and in the future. Likewise, it identified some of the broad cross-cutting needs in biotechnology research, resource management, et cetera. This report, we think, will have, as one staff member said a few days ago, a long shelf life; it will be a report to look at for the next 10 or 15 years.

Based on that report, we will have more specific recommendations that will be coming in terms of a 5-year plan of work, and that will be implemented by priority settings that will be very useful to the system and will help people who are concerned with getting an overview of where we are and where we are trying to go in agricultural research, extension education, and higher education.

I point that out because this particular achievement took a great deal of work and a lot of people to get the job finished on time. Likewise we have received the benefit of recommendations from the Users Advisory Board, which has also made a conscientious effort to look at the current program and advise the Secretary of Agriculture as to how they are functioning in some of the needs, and suggesting trends and directions that we should take in terms of these very important programs.

I think that serves, by way of summary, of our remarks this morning and, obviously, each of us would look to any questions you might have in an effort to further elucidate our presentation. We appreciate the opportunity for making our presentation as we have done this morning.

REDUCTIONS IN SPECIAL RESEARCH GRANTS

Senator COCHRAN. Thank you, Dr. Bentley.

In connection with the biotechnology research program and the emphasis that is being recommending in that area, I wonder whether or not, under the competitive grants program, we are going to exchange emphasis on biotechnology research for special research grant programs. What impact is that going to have on our local research facilities and universities and colleges who might be otherwise getting special research grant money?

That might be a question for Dr. Jordan. .

Dr. JORDAN. Mr. Chairman, that is a very appropriate question.

The special research grants program recommendation for fiscal year 1985 is the same as was recommended in the fiscal year 1984 executive budget.

What those contain, as you are well aware, basically is a focus for about 5 years on the average. Most of those launched some new program areas and helped us get started in areas where we would have to divert basic funding—foundation funding—for the agricultural experiment stations.

What we hope to do with the competitive research grants program in biotechnology is to develop a long-term competitive program that is going to be with us not for just a few years, but for some time into the future.

Senator COCHRAN. I understand from looking at my notes here that there is a requested decrease in funding of $11 million for special research grants. One comment that I happened to see that came across my desk from the research community was urging that we support the biotechnology initiatives under competitive grants, but not at the expense of special grants. That is the reason for my question and you are suggesting we are going to have level funding. That is not really true, is it?

Dr. JORDAN. No, sir, I didn't mean to imply level funding per se, but the recommendations in the executive budgets are the same in the 2 years.

Senator COCHRAN. Are you saying you made the same recommendation for a cut last year, but we rejected it, and therefore this year it is no different?

Dr. JORDAN. The independent relationship of biotechnology as an initiative, Mr. Chairman, is quite a separate thing from the special research grants program.

Senator COCHRAN. There is still a cut being requested.

Dr. JORDAN. Yes, sir, that is true. In examining each and every one of these areas, we also looked to see what level of funding is still left in these areas. I wouldn't want you to think because there is an administration recommendation for not continuing a certain particular area that there is nothing going on in that area.

For example, we recommended a decrease for the rural development centers—not unimportant, but there is still going to be well over $9 million in rural development research for fiscal year 1985, as an example.

Senator COCHRAN. There are a lot of zeroes on the sheet that I have here on projects that are going on right now—soil erosion in the Pacific Northwest, dried bean research in North Dakota. There is a whole laundry list, including lots of zeroes in the special research grants area.

I am assuming what this means is that there is a change of emphasis being recommended by the Department in its budget, and the special research grants money is not being requested at the current level. There seems only to be an emphasis for this biotechnology initiative, and I wonder who is going to do the biotechnology research. These local research facilities won't be utilized for that, I presume.

Dr. BENTLEY. Under the competitive research grants, we expect that one of the major groups that will be participating in these grants will be the State agricultural experiment stations. In fact, many of the stations and many of the colleges are attempting to move into this area because of the high priority and the high potential it has. Based on prior experience, we would expect that a major part of those funds would go to these land-grant institutions.

There would be other institutions that would be eligible based upon their quality of presentation. In fact, I think one of the things that might be helpful to us in agricultural science and education is that this would be an opportunity to bring in scientists from other areas who are now interested in doing work that is related to agriculture. Primarily, however, it is to challenge and retain the highly qualified scientists we now have in agriculture who are being, in some cases, weaned away from our area because there are insufficient funds in the very areas they want to work in. So we think this is a challenge.

We know we have to make some decisions and they are not easy to make, but we think this priority is so great that we must give it attention.

Senator COCHRAN. Senator Chiles.

BIOLOGICAL CONTROL OF PESTS

Senator CHILES. Thank you, Mr. Chairman.

Last week I submitted questions for Secretary Block regarding biological control of pests and weeds when he appeared before this subcommittee. I was interested in the Department's views regarding biocontrol and its potential as an alternative to pesticides. I asked that information regarding USDA's involvement in biocontrol be provided in terms of project participation, manpower, and funding allocation.

I wonder if you have that information with you today?

Dr. BENTLEY. No, sir, I do not have it at this time. I can certainly assure you that the information we have that can be drawn from the State agricultural experiment stations will be provided. I do not have that specific request, but we certainly will take care of it and get it to you.

Dr. JORDAN. With respect to the CSRS system, in fiscal year 1984 we have $3,972,000 in biological control among four programs. The Hatch program is the largest piece, $2.9 million; $167,000 in the McIntire-Stennis program; $176,000 in the 1890 Colleges and Tuskegee; and an additional $700,000 in the competitive research grants program.

Senator CHILES. Are there funds in other areas in addition to the research?

Dr. JORDAN. There will be additional funding, obviously, that will come to the system from the States and also the Agricultural Research Service and its program.

Dr. KINNEY. Mr. Chairman, I don't have the figures, but we have several million dollars in biocontrol, and we will be glad to submit the details of funding and manpower.

Senator CHILES. I would like to have that. And given the environmental controls that we are now seeing over the use of pesticides, it seems to me it is more important than ever that we focus our attention on biocontrol.

Dr. Jordan, what you are saying sounds like level funding. Given the problems that we have from the pests when they hit, and the damage they can cause, $3 million is a drop in the bucket compared to what can happen if we get the Medfly or blackfly or any of these terrible pests. We see the tremendous reaction against pesticides, and we know that is going to be stronger and stronger.

What I would really like to be able to see is—and you may furnish it for the record if you don't have it now—how does the current effort compare to the past efforts in regard to manpower and funding, and what do your future projections look like?

It seems like to me this is an area that you have to start or we have to start an emphasis on. For Florida and all of our southern agriculture, I don't know what we are going to do if we can't control pests. Given the fact that we are seeing our existing means knocked out very quickly, it seems to me we need to be in some sort of crash program.

[The information follows:]

BIOLOGICAL CONTROL

[In thousands of dollars]

	Fiscal year 1983		Fiscal year 1984		Fiscal year 1985	
	Amount	Staff-years	Amount	Staff-years	Amount	Staff-years
Agricultural Research Service	$4,900	33	$4,900	33	$5,300	35
Cooperative State Research Service	3,689	28	3,272	28	3,332	28
Competitive Research Grants	569		700		[1] 3,000	
Total	9,158	61	8,872	61	11,632	63

[1] Estimate based on anticipated proposals with expanded funds in this area.

BIOTECHNOLOGY PROPOSAL

Dr. JORDAN. Your point is well taken. What I have told you is what the CSRS budget in the current fiscal year has specifically identified for the biological control program. I should point out that there is substantial funding from the State system as well. One of the outstanding examples of that is the State of California.

If you would permit, I would like to ask Dr. Charles Hess, dean of the College of Agriculture at the University of California at Davis, to describe what the State of California has done.

Dr. HESS. Thank you, Mr. Chairman. If I could, I would like to address the two questions asked so far, one in regard to the competitive research grants and the special research grants issue and the other in regard to biocontrol.

When the people in the committee developed the proposal for biotechnology, we hoped that it would be done as an augmentation to the research program, rather than as a trade off for other research programs. Given that, as you look at the investment in agricultural research as compared to new areas, it really represents a rather small investment of this Nation's economy, and the competitive research grants program, as indicated, only represents 3 percent of the overall research budget.

We feel there are real opportunities, as has been indicated in the presentation, for contributions here. Also, I think the track record has been that the returns from agricultural research have been one of the best investments that has been made with taxpayers' funds.

CALIFORNIA BIOCONTROL PROGRAM

In terms of biocontrol, the big emphasis in the biotechnology area is the search for mechanisms for more effective pest controls, for disease resistance, and for insect resistance. So, although it represents an increase in biotechnology, it would be very much directed toward this area of interest.

In California, we have convinced our State legislature of the importance of integrated pest management, including biocontrol, and they have provided about $1.5 million for the research in the State to develop these mechanisms. As you saw in the picture that Dr. Jordan presented of the effects of the spider mite, there are a number of examples in which we are reducing the amount of pesticides that we use by developing mathematical models and applying pesticides only at the time they are critically needed and where they are needed. Ultimately, we would like to reduce the amount of pesticides that we use completely. I don't think we will ever achieve a position where we won't use some. We want to use those that we do use most effectively and in a most safe manner.

Senator CHILES. Would you give me some idea as to how you think we can more effectively push this program in biocontrol from the standpoint of initiating and energizing what is out there on the State level?

Dr. HESS. I think a very powerful method is one of the components of the competitive research grants program, which is, suggesting mechanisms of having multidisciplinary teams. One of the things that we used the $1.5 million augmentation for in California was to put together the plant physiologists, the plant pathologists, et cetera, working on the pest problem on a particular crop. We are in a world where there are many disciplines applied to the solution to a particular problem. Today, we don't have the renaissance person who can by himself work to a solution of a problem. So I think that support of the biotechnology program would be one mechanism of attracting scientists to work together on a common problem, bringing their respective disciplines to addressing the solution of that problem.

Dr. JORDAN. That is one of the reasons why competitive research grants are an important approach, so we can attract the best minds.

Senator COCHRAN. Is that why you are not using the special grants program?

Dr. JORDAN. One of the reasons is that we would like to broaden the base—the kind of disciplines and people, backgrounds, training and institutions—and through the competitive research grants we can incorporate into that program the needed scientists from universities and Federal laboratories as appropriate.

As you are well aware, Mr. Chairman, biotechnology isn't exactly all that new, but its real thrust until now has been in human medicine. So, in many instances we are hoping to bring to work on agricultural problems people who have worked out some of the techniques in other areas.

BIOTECHNOLOGY PLAN

Senator COCHRAN. To what extent is this going to duplicate existing research that is now going on and is being funded by others in the private sector or other public agencies or departments?

Dr. BENTLEY. I would like to call on Dr. Ted Hullar, director of the New York State Agricultural Experiment Station at Cornell University at Ithaca.

Dr. HULLAR. In developing the program, we had extensive discussions with program leadership, both in NSF and NIH as well as persons in the private sector. We carefully fashioned it so it would not duplicate. If we were to look at NSF's budget and program areas for plant and animal biology, particularly molecular genetics, we would see that ours don't overlap but complement those programs.

There is one additional feature to this proposal. There would be an element of mission direction in this, just as there is in the NIH budget for biomedicine. And that gives us, then, the target for agriculture. The target for NSF is the target of science; the target for NIH is human medicine; the target here is agriculture. So, it is complementary.

Senator CHILES. I would like to ask you a question, doctor. I understand the national association of your committee recommended a funding level of $70 million. Do you think the $28.5 million recommended in the budget is going to be sufficient to implement the recommendations that were found in the SAES program?

Dr. HULLAR. There are two answers to that. First, the $28.5 million recommended is for the competitive research grants program. In our $70 million budget we had $41 million for the competitive research grants program. So, $28.5 million is a significant proportion of that $41 million. Other moneys included in the $70 million were for major equipment funding and for predoctoral, post-doctoral, and senior post-doctoral fellowships. The reason we put those in is because it is well known in agricultural research as well as other kinds of research, that we have a problem with modern equipment to keep up with the rest of the world and to make the best use of our scientists and graduate students. So there is an equipment portion in there, and it was not possible to include that in this budget. The fellowship portion was in there, so again we could attract even more good students for agriculture, just like the fellowship program run by NIH a number of years ago, which, to a certain extent, attracted those best students into science for medicine.

FELLOWSHIP PROGRAM

Senator CHILES. That fellowship program is the signal to the students that this is going to get an emphasis and that is where you would be seeking our priorities?

Dr. HULLAR. That is right. If there is a program of fellowships that starts now and students are attracted into that, they are going to be more attracted if they see a program of competitive research grants so when they move out from their Ph.D., there is a source of venture capital they can continue to draw from and do science on agriculture. They need that continuity both at the start and to see it through.

Dr. BENTLEY. One more thing in terms of the biotechnology grants. We anticipate there will be a substantial involvement of graduate students in those programs in the universities. What will stimulate graduate students and graduate studies at universities will be the availability of additional funds so they can employ students. I was at the University of Illinois for 17 years as dean of the college, and one of the problems we had with our graduate programs was that, as funds became tighter, we had to eliminate some of those students because we had to meet our budget constraints.

There is one other item. When we looked at this budget initiative and the recommendation for a larger amount, we were faced with statutory limitation of $50 million for competitive research grants in these programs. We had an ongoing activity of $17 million. We had requested last year a $4.5 million competitive research grants program for animal science and, to continue those, $28.5 million was the extent of our authorization this year.

EQUIPMENT FUNDING

Senator CHILES. Is there any statutory prohibition authorized toward equipment funding or the fellowship funding?

Dr. BENTLEY. The equipment funding is proposed on a competitive basis as a companion to the biotechnology grants. In the proposal we have there, it would come under that limitation. However, equipment grants could be funded separately under Public Law 97–98, section 1472, which provides additional funding authorization.

Senator CHILES. Was that the recommendation—that equipment funding be on a competitive grant?

Dr. BENTLEY. Yes; that was the recommendation. We made the same recommendation with the fellowships because they would then be linked to these programs.

We think one alternative is the one I just referred to for our fellowships. If the money is there and professors are there, then research grant programs will provide opportunity for graduate students. As we look to some of our funding, 25 percent of the funds now are expended for assistance to many of these principal investors for graduate students. It is currently a major source of funding for graduate education in colleges of agriculture, and we would anticipate that to increase under biotechnology.

COMPETITIVE RESEARCH GRANTS PROGRAM

Senator COCHRAN. I notice this competitive research grants program is fairly new, established in the 1977 farm bill, and that is the legal authority you are talking about which limits the amount available.

You have requested a total increase of $33 million for competitive research grants. Of that amount, $28.5 million is for the biotechnology. What is the other $4.5 million to be used for?

Dr. JORDAN. That is the animal science research area. The two current research areas, Mr. Chairman, are plant science and human nutrition.

Senator COCHRAN. What percentage of the $4.5 million for animal science under competitive research grants would go to land-grant institutions?

Dr. JORDAN. Historically, approximately two-thirds of the competitive research grants are awarded to land-grant institutions. In the area of animal science, my guess is that it would be a higher percentage because of the kind of facilities and equipment that is needed to handle the animals in the first place.

STATUS OF PROPOSED REDIRECTIONS IN FLORIDA

Senator CHILES. Last year the Agricultural Research Service proposed elimination of several important research stations in Florida. The committee expressed its concern over their proposal by including bill language directing that current efforts at the research stations at Belle Glade and Lake Alfred, Fla., be continued and that participation in the soil, water, air, and plant program be maintained.

Is it the intention of the USDA and ARS to maintain these stations in fiscal year 1985 at the past funding and service level?

Dr. KINNEY. Yes; it is.

Senator CHILES. Please detail to me for the record the Department's recommendation in regard to those stations.

[The information follows:]

AGRICULTURAL RESEARCH STATIONS

In 1985, the ARS research program at Belle Glade will continue at the $187,300 level. The program covers sugarcane production systems for reducing energy inputs and conserving soil and water. The ARS program at Lake Alfred will continue at the $128,500 level. This program covers citrus production systems and pest control research. The ARS program at Fort Pierce will continue at the approximate $75,000 level. This program covers soil-water-air-plant relationships associated with citrus and other crop production in Florida.

TROPICAL AND SUBTROPICAL RESEARCH

Senator CHILES. Dr. Jordan, it has now been a little more than 1 year since the Public Law 89–808, section 406, tropical and subtropical research program was administratively transferred from ARS to CSRS. Are you in a position to comment now on how this program is functioning, and if the transfer is complete now?

Dr. JORDAN. The transfer, Senator, is in fact complete, and is proving itself to be one of the excellent examples of using CSRS money to leverage other dollars from the State agricultural experiment stations. If you would like, for the record, I do have information about the status of tropical and subtropical research.

Senator CHILES. I would appreciate that. I would like to have your feelings—I know you are somewhat new on the job as Administrator—your concept of the program and the research carried out under it.

[The information follows:]

TROPICAL AND SUBTROPICAL RESEARCH

The tropical and subtropical research programs operated by CSRS are getting underway since they were transferred to CSRS from ARS in fiscal year 1983. CSRS is operating the program with advice from the National Advisory Group (NAG), the Caribbean Basin Advisory Group (CBAG), and the Pacific Basin Advisory Group (PBAG). The advisory groups' membership consists of officials from USDA, State agricultural experiment stations and U.S. universities who will plan and coordinate the program. Funds for the program are being divided equally between the two Basin advisory groups, CBAG and PBAG. At the regional level the program is being coordinated by CBAG and PBAG who are inviting, reviewing, and recommending to CSRS research proposals for awarding special research grants. For fiscal year 1983 a total of 65 grants were awarded to Florida (22), Puerto Rico (13), Virgin Islands (3), Louisiana (1), Hawaii (17), Guam (8), and California (1). Grants were awarded for research mainly in the areas of crop and animal productivity and protection; land and water resources needed for agricultural productivity; and postharvest physiology and storage of crops. For fiscal year 1984 grant proposals have been solicited by CBAG and PBAG. They will be peer reviewed, evaluated, and recommendations for worthy proposals made to CSRS.

Future goals are to improve tropical and subtropical agriculture and at the same time help solve important agricultural needs of the United States. Since research in temperate areas is usually not applicable to tropical and subtropical areas, this research initiative would improve domestic food and feed production in tropical areas thus reducing food imports and increasing self-sufficiency.

Dr. JORDAN. The significance of it, some folks feel, is that this is a program that is uniquely appropriate to three or four States or territories. First of all, Senator, I say, "That is not so," because all of us in America benefit from the fruits of that kind of research, and depend on those areas of the country to produce the fruits, nuts, and vegetables that we consume.

The second is that it is an area where we can provide a significant information base that can be exported to the Caribbean region, Central America, and the northern portion of South America in terms of a good neighbor policy. So, I think the implications of it as a program will go far beyond what we normally look at in terms of agricultural research.

Senator CHILES. In many instances that good neighbor policy is more than good will—it is self-interest if we can get them to stop some pest or something down there before it gets here.

Dr. JORDAN. Absolutely. In terms of competition on the international market, we want to reduce the import cost. After all, in America we would like to have our farmers have a certain standard of living, yet we must compete in the international marketplace, and that means we have to be efficient. With the standard of living we want to maintain, that means that some of our research focus is going to be in that arena, particularly that associated with high technology.

Senator CHILES. We see many facets of this research which are important to my particular State. For example, the effect of subsidence and the development of a satisfactory agriculture program for the Everglades is certainly a major problem in Florida. That is now beginning to affect what we do in regard to the water usage. There is a tremendous problem now going on between what is happening in the land that has been drained from the Everglades, what is happening to the muck that is there, what is happening to the water, what is happening to pesticides and all of the runoffs and nutrients now coming from the agriculture base.

Dr. JORDAN. It is the real world.

Senator CHILES. That is right; it is still there. And yet, agriculture has been of tremendous importance, and continues to be if we are going to feed all those people who are coming.

Dr. JORDAN. In fiscal year 1983, Senator, this program funded a total of 65 grants—22 went to Florida, 13 to Puerto Rico, 3 to the Virgin Islands, 1 to Louisiana, 17 to Hawaii, 8 to Guam, and 1 to California.

Senator CHILES. I have, Mr. Chairman, a number of other questions that I will submit for the record.

Senator COCHRAN. We all have parochial interests. [Laughter.] As a matter of fact, I worry about this balance that we are seeing in the budget. I'm wondering about the impact that might have on some of our insect research efforts and plant productivity research, which is traditional, I know, and maybe it bores the modern scientists, but not the farmer.

Dr. JORDAN. It follows the line with this demonstration.

BUDGET IMPACT

Senator COCHRAN. The fact is, I worry whether or not this budget is going to have an adverse impact on a lot of the research that is still needed in this area.

Dr. JORDAN. I think that is an excellent question, Mr. Chairman. The Joint Council on Food and Agricultural Sciences has spent a good deal of time with that exact issue. The overall program will have a $3 million increase in the State agricultural experiment stations funded through the Hatch Act program.

Senator COCHRAN. Are you basing that on the increase from your last request or increase on current levels of funding?

Dr. **Jordan**. This is an increase from the current level of funding. The only decrease, which you have identified, is in the special research grants program. There are increases in the formula funded programs, increases in the competitive research grants program, and decreases in the special research grants program. But I am trying to suggest there is not a quid pro quo, Senator; namely, it is the same kind of relationship that you saw a year ago without biotechnology, without the increase in the competitive research grants program that we brought to you.

FUNDING FOR STONEVILLE, MS, FACILITY

Senator **Cochran**. We have a very important facility in my State at Stoneville, in addition to the excellent work that goes on at Mississippi State University, in the area of trying to identify more effective ways to fight the boll weevil and other insects that plague southern crops. I don't want to approve a budget request that ends up reducing the activity at Stoneville.

Can you assure me that if we approve this budget that that won't happen?

Dr. **Kinney**. Senator, I don't know what the university has in Stoneville. ARS intends to increase our budget at Stoneville.

Senator **Cochran**. I was down there and had a very nice review of what is going on. I try to get down there from time to time. I ran into one fellow who is active in the cotton ginning research activity, and he is worried that the budget request is going to have an adverse impact on that particular research activity at the facility. He foresaw the loss of jobs at the facility in that area.

Do you have a reaction to his concerns?

Dr. **Kinney**. As I pointed out when reviewing the charts, we have a $200,000 increase for Stoneville. We are very much aware of the deficiencies in funding for that facility. My deputy and I were down in the Delta several weeks ago and, as a result of that, we got some first-hand views of some of the things that need help down there. We, for example, visited with the industry people while we were down there, and they are very much concerned about the catfish industry. We have since had an ARS animal geneticist go to Mississippi to work with the university people, with the industry people, and also with people from Alabama. He has developed a plan for research in aquaculture relating to catfish breeding that could be cooperative between USDA, Mississippi State, the industry, and possibly Alabama and others. We are reviewing that now, and we will be submitting that back to the people in Mississippi for their review.

AQUACULTURE RESEARCH

Senator **Cochran**. There is a definite need, I think, in helping get that industry pointed in the right direction. There is an imbalance between production and the market. I think an effort is underway that is going to work those problems out. It offers a tremendous opportunity to add protein to diets all around the world. They are finding that they can produce these fish economically, and many processing plants are in place down there now. I think we have a bright future in aquaculture.

It worries me when I see the zero next to aquaculture in this list in the special grants area.

I heard that maybe all the money appropriated in the bill that we are currently operating under has not all been obligated. Do you know what the answer to that is? I think $270,000 is available, and all of it has not been used, or maybe won't be used.

Dr. JORDAN. No, sir, it will be awarded, and it will all be used.

REPORT PREPARED BY THE EXPERIMENT STATION COMMITTEE ON ORGANIZATION AND POLICY

All the points that you have made are 100 percent correct, Mr. Chairman, and I wouldn't argue with them one bit. I would simply point out that recently delivered to you and members of your staff is a booklet, prepared by the Experiment Station Committee on Organization and Policy, which shows how the system is put together, and how it fits together the various pieces and sources of money to come out with a total program that is far larger than any one piece of it. It is in that total vein that we are trying to look at it. Perhaps the most dramatic visual is a Rubic's cube in this book which says there is a base program which must be protected and it is fundamental to the success of all the rest of it. Popping out from that Rubic's cube are the cutting edge, forward-looking aspects of science. This is what we are trying to talk about and share 100 percent with you, Senator—the concern about a proper balance, and we hope to continue through your questions and dialog with you.

REDIRECTION OR LABORATORY CLOSINGS

Senator COCHRAN. Last year we had a bigger crowd of folks at the hearing to talk about individual lab closings. I notice you kept down the size of the hearing this year. [Laughter.]

I wonder what redirection or lab closings you propose for this next year. Do you need to alert us to any problems you might have during the next year?

Dr. KINNEY. Mr. Chairman, we are not planning any specific lab closings for this year. We have not given up the idea, though. There may be facilities that should be combined with others. As you know, we are still suffering from the stigma of not having our laboratories filled. I think that is a misnomer in many cases. We are still taking a hard look at each facility, each component of our management, and every aspect of ARS. Wherever we think we need to change, we are going to try to change. One thing we are going to do, which we made a commitment to this committee and to the congressional committee to do, that before we make any closings, we will be in touch.

Mr. Chairman, I would like to make one additional comment. We are going ahead with program redirections that are a normal part of our management. If we think there is concern on those, then we will be checking them out.

SIX-YEAR IMPLEMENTATION PLAN

Senator COCHRAN. We discussed last year in our hearings the 6-year implementation plan, and I worried aloud about the cutback in cotton insect research that was a part of that plan. Have you made any final decisions about that 6-year plan, and particularly about any long term reductions in cotton insect research?

Dr. KINNEY. No; we have not, Mr. Chairman. We are making those decisions. We still are pursuing that 6-year plan. We have developed an overall plan. Each year we are looking at our programs on a case-by-case, year-by-year basis. If it is appropriate to redirect something from one area to another, then we are working with the industry, with the universities, and with our own people to accommodate that in the shortest timeframe possible in order to be most effective. That is going to mean that some of the work related to cotton insects is going to be redirected, hopefully in a way that would have ultimately more impact on controlling cotton insects than the current work will. In some cases it will be redirected into biocontrol efforts, or redirected into basic research that would relate to a number of insects. It may be so basic that we can't call it cotton insects per se. We fruitfully spent last year reassuring industry groups because they are most interested in program change.

FIRE ANT

Senator COCHRAN. The presentation that you made and the film you showed, I thought, were excellent, particularly in regard to things that are of interest to me. I was interested in the fact that you specified the fire ant and have come up with ways to deal with that pest. I wonder whether or not these commercial vendors are selling these chemicals to combat diseases at prices that farmers can afford to use them? That was one of the problems we had—the expense of these chemicals is prohibitive. Do you have any hope that these discoveries are economically feasible for use by the farmers?

Dr. KINNEY. I might make a quick comment, and Dr. Klassen can give you a general comment, too. We are working very closely with the chemical manufacturers at Gainesville, and they are working with us in the field and in the laboratory on a day-to-day basis. I think we can eradicate the fire ant with the technology that exists now or in the very near future.

Having said that, I will let Dr. Klassen tell you what he might predict in terms of cost feasibility.

Dr. KLASSEN. The level of chemicals actually used in this areawide application is very, very low—just a few grams per acre. It is really the cost of application, it is the treatment of individual mounds by individual owners that is expensive. In organized programs, the costs are really those of application, and some small amount in the formulation of the chemical itself.

There are two fairly good chemicals. One is Amdro, synthesized by American Cyanamid, and the other is Prodrone, manufactured by Stauffer Chemical Co. Both of these are fairly expensive, but not in the amounts needed. I think the limiting factor is more the cost of the program itself.

ACID RAIN RESEARCH

Senator COCHRAN. Are we doing any acid rain research in your area? Who is doing that?

Dr. BENTLEY. I think just a quick answer would suffice without getting into too much detail, because it would take too much time. Briefly, there is an interagency task force having to do with acid rain research. There are three agencies, NOAA, EPA, and Agriculture, which have major activities in this area. In our area of funding, $55 million is being scheduled for research on acid rain. Of that $55 million for fiscal year 1985, a portion has to do with terrestrial effects and with the water systems, lakes, aquatic effects, and analysis of the impact on forests through the Forest Service. In the CSRS, there is a regional project for monitoring and effects research—getting information on acid rain—and then in ARS, there is a program that has to do with terrestrial effects as well. We have some responsibilities for aquatic effects but our major responsibility is the impact of acid deposition on tree growth, on agricultural products, and so on. That is a part of the overall plan within the organization. Within my organization, I have asked Dr. Bruce Cone to come with me as the deputy to be the communicator on my behalf with regard to this program.

We have, as I said, an important responsibility. It is one of those that will take time, because to measure the impact of the change on soil, change in acidity, what changes are taking place in the lakes, in the runoff waters, and then the impact on trees, is something that requires time. With the pressure and concerns about the issues, sometimes people fret because they would like the answer this year. So would we. But we know because of our experience with the forest and with agriculture, you have to go through some seasons, and you have to get some idea of the effects, because we know the things in the environment are often compounded by drought, by temperature changes, and by insect damage, so we have to be sure that we know what we are trying to measure.

That is a quick summary. We are doing work and we are participating in an interagency effort in this area.

FUNDING FOR ACID RAIN RESEARCH

Senator COCHRAN. How is the money handled on that? Is there a special request in your budget for funding of that activity?

Dr. BENTLEY. Yes; there is a special request listed for the Cooperative State Research Service. I think $695,000 is included for that purpose to help these projects. Other projects are submitted to the interagency committee on this. Thus far, I believe I speak correctly when I say that we are assigned responsibilities, but we have to fund some of our programs out of existing resources. I believe that is true for ARS, and I know it is true for the Forest Service. So, it is difficult. Also for some of the increases in Cooperative State Research Service, we got the assigned research responsibility for additional work but no new funds. We have to make the adjustment. That is a painful correction we have to do.

LOCATIONS OF ACID RAIN RESEARCH

Senator COCHRAN. Where is this money being spent now, and how is it being spent?

Dr. BENTLEY. It is being spent in doing measuring and monitoring in the Northeast, at Hubbard Brook where there is a monitoring project looking at acidity in lakes in the Northeast. Also, some funds are used to research the more pristine lakes in the West because there are some changes there. The original project involves States from the Midwest—Illinois, Ohio—and the Northeast. I don't know the exact States, but that is where that money is being spent.

Senator COCHRAN. Some research was going on in North Carolina. What is going on there?

Dr. BENTLEY. I just visited that area the other day. ARS scientists are working jointly with scientists at the North Carolina Experiment Station.

Dr. KINNEY. We have a $284,000 effort there on the effect of acid precipitation on crop production in soils.

That program has been going on for several years now in North Carolina. The original source of the funding was an appropriation in 1982 of $110,000, and in 1983 an additional $174,000 was appropriated for this program.

COORDINATION OF ACID RAIN RESEARCH

Senator COCHRAN. I want to make sure we continue to do research in this area, and I would like to be sure we know how much we ought to be spending, what your recommendations are about that, and how we go about paying for it and who does it. I would like to get a handle on it.

Dr. JORDAN. There are now over 30 agricultural experiment stations involved in that activity.

Senator COCHRAN. Is it your office that is coordinating all of that?

Dr. BENTLEY. Let me say that when you get into interagency activity, it gets to be very complicated. The three cochairs for this particular activity are the focal point for bringing together the agencies. The Council on Environmental Quality has been the operating agency for coordination, and that is really the focal point. But within the Department the Forest Service, CSRS, and ARS are the three agencies, and because it is an interagency program, my office is the clearinghouse for that particular activity. NOAA has a responsibility, and EPA has the major responsibility for several of the programs. The program itself is assigned to the agencies I have listed.

Senator COCHRAN. I don't think it is easy to find out who is doing what and how much. It is organized so that nobody can find out. I think that is the purpose of it.

Dr. **Bentley**. I have a way of knowing what is going on.

Senator **Cochran**. I would like to see something other than what we have gotten today. What worries me is that we have a legislative committee that may soon be recommending some major legislation in that area as a way to prevent the damage that someone supposes is being caused by some environmentally obnoxious activity. I would like to at least try to bring together whatever we do know and whatever we don't know, so we can at least read it and try to understand what adverse effect is occurring. If we know or if we don't know, we ought to have somebody say it.

Dr. **Bentley**. An annual report for 1983 will be available in the very near future. For information, we are providing the 1982 report which is the latest currently available. I will say in this area that we too are working to try to get a better feel for what is going on in terms of our activities. We do know where we are in terms of our programs, but there are lots of questions and a lot of different viewpoints that seem to come together concerning acid rain. That is why some of us smile when you ask the question, because we can go to a meeting and hear a full gambit of views recommended from stringent control measures to known activities.

[The report follows:]

1982 ANNUAL REPORT OF THE INTERAGENCY TASK FORCE ON ACID PRECIPITATION

EXECUTIVE SUMMARY

This statutory Annual Report to the President and the Congress by the Interagency Task Force on Acid Precipitation marks the end of the first full year of an integrated research effort by the Federal agencies. The National Acid Precipitation Assessment Program is coordinated by the Task Force and focuses federally-funded research on the timely development of a firmer scientific basis for policy decisions.

This report summarizes the major research findings and accomplishments of the National Program's first year, with particular emphasis on their bearing on acid precipitation policy questions. It provides a brief overview of the available scientific information relevant to policy formulation. As the National Program progresses, future annual reports will provide updates and increasingly better information to assist decisionmakers and the public in continuing to resolve the "acid rain" issue. The program will integrate findings from diverse research areas in order to arrive at successively better answers to key questions, such as:

- What are the current and potential effects of acid deposition within each region, and to what extent could these be ameliorated by lower deposition levels or other mitigation methods?
- What is the quantitative relationship between the release of certain pollutants into the atmosphere and the amount of acidic materials that are deposited?
- What are the costs and environmental impacts of these effects, as well as the costs and benefits of controlling pollutant releases?

In accordance with the Acid Precipitation Act of 1980 (P.L. 96-294), the Task Force is vigorously implementing a comprehensive research program. Federally-funded acid deposition research has doubled, from about $11 million in FY 1980 to $22.3 million for FY 1983. The National Program is producing results at an increasing rate, disseminating them as soon as they become available. However, as recognized in the Act, it will take a systematic effort over a number of years to adequately address all the major uncertainties about the causes, effects, and management of acid deposition.

STATE OF THE SCIENCE

This overview on the current state of the science is based on information from all available sources, including research supported by Federal agencies, States, environmental organizations, private sector groups, and other nations.

Causes

Man-made atmospheric pollutants are probably the major contributors to acid deposition in northeastern North America. The approximate coincidence of the region of highest precipitation acidity with the areas of greatest sulfur dioxide and nitrogen oxides emissions provides circumstantial evidence to support this assertion. This conclusion is also supported by preliminary meteorological studies tracking the physical movement of one pollutant (sulfur dioxide) from sources of emission to suspected areas of deposition.

The National Program is also studying another contributory pollutant (oxides of nitrogen) and chemical substances suspected of being factors in controlling acid deposition. Current data and available methods, however, are not sufficient to quantify relationships between pollutant emissions and acid deposition on a regional scale, or under varying conditions. Nor is it yet possible to identify the specific change in acid deposition patterns that would result from a given change in precursor emissions.

In addition to man-made sources, natural sources of acid precursors are known to exist. On a global scale, it is roughly estimated that half the sulfur in the atmosphere is from natural emissions. Regionally, preliminary findings suggest that natural sources might contribute significantly to the acidity of precipitation in some areas, such as the southeastern United States. In the northeastern United States natural sources are believed to be minor contributors to acid deposition. The National Program includes research to increase our meager knowledge of the strengths, character, and distribution of natural sources of sulfur and nitrogen that can contribute to acidity as well as alkaline dusts that neutralize acids in precipitation. This information will be used to assess the potential significance of these sources in contributing to acid deposition in sensitive areas.

Source/Receptor Relationships

To formulate scientifically based control strategies, the relationship between emission of precursor pollutants and deposition of acidic material at sensitive receptors should be reliably established.

The ability of current generation models to predict source/receptor relationships with adequate resolution and accuracy is an unresolved issue. A study on the ability of eight models to predict the deposition of sulfur emissions in eastern North America found only a few suitable monitoring data points. While a method is now available to properly evaluate model performance, more data (quality assured and available as a time series) is needed to quantify the uncertainties in model predictions. In addition there are widely differing views of the relative importance of local sources (acid deposition from nearby sources of pollution) and long-range transport (acid deposition from far-removed sources of pollution) on the receptors in the local region.

Because of the urgent need to improve our ability to make predictions that reasonably estimate the change in amounts of acid deposition expected from decreases in pollution levels, the National Program includes several simultaneous approaches:

1. For near-term assessments, modifying current-generation models to refine their accommodation of chemical and physical factors over shorter periods of time;
2. Constructing a new generation of models to more effectively treat the physical movement of pollutants in the atmosphere, as well as the mechanisms for their conversion to acids and deposition;
3. Designing a series of field experiments to provide empirical, quantitative evidence of the relationship of pollution source to acid deposition; and
4. Upgrading and evaluating a suitable local/mesoscale model to quantify the relative contribution of local versus long-range transport on receptors.

Intensive efforts underway in the National Program and elsewhere should enhance our ability to project the consequences of changes in emission patterns.

Impacts

Among the possible effects of acid deposition, aquatic impacts are currently of greatest concern because of the sensitivity of certain surface waters to acidification and the known potential for damage to fish and other organisms. Initial surveys indicate that a small number of lakes concentrated in the sensitive regions of northeastern North America have been acidified, and their biota have changed.

In the Adirondacks, one of the most sensitive regions in North America, the State of New York has classified 3.6 percent of lake area as in "critical" condition (7,466 acres of 246,388 acres total) and 14 percent endangered; 84 percent were surveyed. Acid deposition is probably the major contributor to this acidification, but the rates of change and the factors controlling it are still poorly understood.

Many of the reported cases that suggest acid deposition is the cause of some observed change in an aquatic ecosystem are based on circumstantial evidence and lack documentation of the mechanisms linking cause and effect. At present, the extent of actual aquatic damages is not well established. The question of long-term trends in freshwater acidification also remains uncertain.

The National Program produced maps in FY 1982 depicting the regions where surface waters could be most susceptible to acidification. Studies underway will better define the factors that control acidification, and improved regional monitoring and testing programs will produce more detailed and reliable inventories of the extent of damages and the location and value of resources at risk.

Beyond the alteration of the chemistry and biology of certain sensitive surface waters, the other effects of acid deposition in North America are undetermined. There is concern about possible effects on crops, forests, wetlands, soils, building materials, and indirect effects on human health (through drinking water or food). Although mechanisms for such effects are known, evidence has not yet demonstrated that they are widely occurring under ambient acid deposition in North America. For instance, although experimental studies with simulated acid rain have shown both positive and negative effects on crop species, effects on crops growing under actual field conditions have not been determined.

Similarly, although a dieback of spruce trees on mountain sites in New England is observable, the relative contribution of potential causes—acid deposition, drought, disease, and other pollutants—is still undetermined. In contrast to acid deposition, the effects of ozone and other air pollutants on crops and forests are well documented. The National Program is speeding up investigations and analyses to determine the actual effects of acid deposition.

RESEARCH PROGRESS AND OUTLOOK

In addition to the preceding synopsis of the state of knowledge about acid deposition, the "Research Progress and Outlook" part of this report describes in more detail current findings in each subject area. It also outlines many of the major research accomplishments of the National Program.

National Program FY 1982 Accomplishments

Some selected highlights of progress in FY 1982 for each research area follow.

A. Natural Sources:

- Developed and tested instruments for reliable field measurement of sulfur and nitrogen emissions from natural sources.
- Obtained preliminary measurements of natural sulfur compounds in the ocean that suggest emissions from marine sources may contribute significantly to atmospheric acidity in some areas.

B. Man-made Sources:

- Completed preliminary study on emission sources that suggested that nearby petroleum combustion and local and distant coal combustion could significantly affect local acid deposition.
- Continued development of models to predict the cost and emissions changes from utilities and industries based on various possible control strategies.
- Developed specifications for emissions inventories with improved spatial, temporal, and source-type resolution, and initiated studies to better characterize the man-made sources of acid precursor pollutants.

C. Atmospheric Processes:

- Obtained initial observations that confirm the importance of clouds in transforming sulfur dioxide to acidic sulfates.
- Initiated field studies that suggest the importance of man-made aerosols in cloud formation.
- Completed planning and initial testing for a major field experiment to be performed in FY 1983 that will track the movement of tracer gases over hundreds of miles after their release in the Midwest.
- Improved atmospheric models and used them to gain a better understanding of the movement and conversion of pollutants and the deposition of acidic material.

D. Deposition Monitoring:

- Produced the first comprehensive maps describing the distribution of major chemical substances over North America.
- Completed design for the National Trends Network, which will be established in FY 1983 building on existing National Atmospheric Deposition Program (NADP) sites and others that meet specific criteria.
- Established four research sites to test improved methods of monitoring wet and dry deposition.
- Compared field measurements of dry deposition obtained from different prototype methods and continued efforts to develop reliable techniques for routine measurement of dry deposition.

E. Aquatic Effects:

- Produced a nationwide map indicating regions where surface waters are likely to be most sensitive to acidification.
- Began long-term monitoring of aquatic resources (chemistry and biota) in key sensitive regions.
- Completed preliminary survey of drinking water in the Northeast that indicates some reservoirs and their watersheds have limited ability to buffer acid deposition.
- Developed better understanding of factors controlling the susceptibility of surface waters to acidification and evaluated models for predicting acidification.
- Evaluated existing information on mitigation strategies (liming), and initiated field and laboratory studies to examine their effectiveness and limitations.
- Began studies of acid deposition effects in the southeastern United States.

F. Terrestrial Effects:

- Initiated extensive long-term studies to determine whether acid rain has caused changes in rate of growth and species composition in forests.
- Completed a study evaluating whether acid rain predisposes pine seedlings to succumb to stress factors. It did not show increased susceptibility to insect or disease attack; some seedlings showed increased resistance to disease.
- Conducted agricultural experiments using simulated acid rain that did not indicate injury to potato plants or two forage plants, but decreased the yield in soybeans and corn under some conditions and had no effect under others.
- Performed soil studies in the Southeast, mid-Atlantic coast, and Northeast that showed response to acid rain varied according to mobilization of toxic metals and leaching of nutrients.
- Conducted studies indicating that southeastern watersheds are accumulating sulfur. The importance of this change on the chemical and biological characteristics of surface waters is not clearly understood.
- Completed several studies showing that forest ecosystems alter the acidity of rain traveling through them.

G. Effects on Materials and Cultural Resources:

- Began work to determine possible damage to historical monuments that is related to acid deposition.
- Established several field sites for testing materials and estimating the relationship of deterioration rates to acid deposition.
- Began analyzing available materials deterioration data and documenting the performance of possible protective treatments for masonry.
- Tested a simplified deposition monitor for application to materials damage research.

H. Control Technologies: (FY 1982 developments outside the National Acid Precipitation Assessment Program under preexisting agency pollution control hardware programs relevant to acid deposition)

- Successfully tested developmental prototype of low-cost, retrofitable technology (LIMB) that can simultaneously decrease sulfur dioxide and nitrogen oxides emissions from utilities by 50 percent. (EPA)
- Developed burner systems to decrease nitrogen oxides emissions by 75 percent in large coal-fired boilers. (EPA)
- Assembled data on the characteristics of U.S. coals to aid in determining their emission control potential. (EPA, DOE)
- Evaluated improved wet and dry sulfur dioxide scrubbing (removal) processes. (DOE, TVA, EPA)

I. Assessments and Policy Analysis:

- Prepared the "Critical Assessment Document: The Acidic Deposition Phenomenon and Its Effects" requested by the Clean Air Science Advisory Committee prior to formation of the National Program. Several chapters review acid deposition and its impacts. Contributors include 54 scientists from many institutions in this country and abroad. The document is now undergoing public review and final revision.
- Initiated work on developing methodologies for conducting integrated assessments of the significance of various scientific and economic information.
- Developed the preliminary version of a model for assessing sulfur dioxide emissions from the utility sector.
- Began investigation of estimating uncertainty in models and the implications for formulating management strategies.

J. International Activities:

- Established basis and mechanisms for increased cooperation between the United States and Canada on research and monitoring activities.
- Began developing specific proposals for joint research efforts with other nations.
- Published *International Directory of Acid Rain Researchers,* listing 1,600 scientists in 32 countries.

This annual report contains more details of the accomplishments in the various research categories in Sections A through J of the "Research Progress and Outlook" chapter. The Task Force also has made significant progress in FY 1982 in integrating and focusing Federal activities and coordinating them more effectively with private sector, State, and international acid deposition research efforts. In FY 1982 the Task Force met with representatives of these key groups to increase coordination. These accomplishments are described in the "Organization and Management Activities" chapters.

Outlook

In the next several years the research under the National Program will produce a number of important results. From FY 1983 to FY 1985 the Task Force agencies expect to accomplish several goals:

- Produce a report estimating how effective control of sulfur oxides, nitrogen oxides, and/or volatile organic compounds would be in reducing acid deposition for different regions.
- Complete assessments of the potential significance of alkaline dusts and natural sulfur and nitrogen emissions in influencing precipitation acidity over sensitive regions.
- Begin applying advanced models to predict utility emissions and develop a preliminary model to estimate industrial combustion emissions.
- Complete a major transport experiment (CAPTEX) to help determine long-range pollutant transport patterns and facilitate evaluation of atmospheric models.
- Develop a model capable of estimating local/mesoscale atmospheric deposition.
- Complete the National Trends Network, to provide adequate coverage to produce reliable annual maps of acid deposition for North America.
- Develop and begin applying improved techniques for monitoring dry deposition.
- Complete inventories and detailed regional maps of the extent of sensitive and currently acidified surface water.
- Prepare a comprehensive report on the status of drinking water supplies.
- Finish a broad assessment of the potential effects of acid deposition on soils.
- Establish dose-response information on corn and soybeans in eastern and midwestern regions of the United States.
- Complete initial determination of the effect of acid deposition on the susceptibility of forests to drought and other stresses.
- Prepare a report on historical rates of deterioration of building material and complete inventory of materials at risk in the Northeast.

- Complete initial assessment of the scope of material damages caused by acid deposition.
- Finish report on historical trends in emissions, deposition, and effects.
- Develop and apply advanced integrated assessment methods to evaluate the optimal strategies for managing acid deposition and its effects.

These and the many other achievements of the National Program will significantly improve our understanding of acid deposition and help develop sound policies to address the problem.

The National Acid Precipitation Assessment Program made an ambitious start and broad progress during its first year. The groundwork has been laid for continued progress in answering the scientific questions associated with acid deposition. A framework has been established to organize and integrate research results to address policy questions. The National Program's recurring assessments will provide a successively refined scientific basis for decisionmaking as well as opportunities to reexamine research directions.

APPENDIX I

NATIONAL ACID PRECIPITATION ASSESSMENT PROGRAM

ACTUAL EXPENDITURES
FY 1982
($ in thousands)

		DOA				DOI				
	EPA	SE	FS	NOAA	DOE	PS	GS	FW	TVA	TOTAL
A. Natural Sources				600						$ 600
B. Man-made Sources	870				300					1170
C. Atmospheric Processes	3273			600	805	50			126	4854
D. Deposition Monitoring	797	253	127	700	497	75	585			3034
E. Aquatic Effects	1475		135		560	94	580	75	133	3052
F. Terrestrial Effects	1355	264	570		122	178	295		66	2850
G. Effects on Materials	250					178				428
H. Control Technologies	(10,400)*				(6200)*					(16,600)*
I. Assessments and Policy Analysis	1105				260					1365
Subtotals:		517	832			575	1460	75		
TOTALS:	$ 9125	1349		1900	2544	2110			325	$17,353

* Control Technologies figures not included in total. These funds for general development of SO_2 and NO_x control hardware are appropriated under other preexisting programs. The Control Technologies Task Group coordinates these efforts with the assessment and research activities of the National Program.

LONG-TERM COMMITMENT

Dr. BENTLEY. We are on our course to getting knowledge and information so we can make a better decision. I think still that is the right one to follow, and that is what we hope we are getting. That is why you have to look at trees and find out what is actually happening, and that is something that takes time to do.

The North Carolina group, Dr. Cowling in particular, has been a very active leader. I would guess that he started in that area probably with a grant from the National Science Foundation Competitive Grants. There has been the long-term commitment of the State agricultural experiment stations and the Agricultural Research Service for that activity, and I think it is a good one, and one we need to look at objectively.

We have other questions besides the traditional ones that come up. We know that the ozone level is increasing and has some potential impact on plants, and when we are talking about acid, it might be caused by NOX or exhaust fumes, or they all may be interactive. There are some people who don't understand that and say it is academic gobbledygook for covering up the fact. But our scientists can't answer that question unless they look at it rather carefully.

ADEQUATE FUNDING FOR ACID RAIN RESEARCH

Senator COCHRAN. I do want to make sure that someone is working hard and very carefully to try to come up with some of the answers to these questions that we have. I just want to be sure that we are putting some money in this appropriations bill to do some work that will be helpful in trying to identify answers to questions that arise in this acid rain area.

NATIONAL AGRICULTURAL LIBRARY

I notice that this Blue Ribbon Panel on the National Agricultural Library has completed its work, and you have the comments that are out for discussion or response. I hope, Mr. Howard, you can send us that.

Mr. HOWARD. Yes, sir.

4-H PROGRAM

Senator COCHRAN. I wonder how we are doing in 4-H participation in our programs. Is it meeting your expectations in enrollment? Is that doing well or not?

Dr. GREENWOOD. We have approximately 5 million youth enrolled in the 4-H program and over 600,000 4-H volunteers. The youth program has been growing most rapidly in the metropolitan areas; however, enrollment in nonurban areas remains stable. In the 4-H program a great deal of effort is placed on the training, management, and recognition of volunteers who are so crucial to the program.

Senator COCHRAN. It continues to be a very popular activity in my State, and I hope we can see the support for that maintained. I know we have to have money, too, to provide a stable source of assistance for these clubs, and I hope that we get the support here in the Congress for continuing our appropriation for the Extension Service.

1890 COLLEGES

I notice that in the Extension program, too, 1890 Colleges and Tuskegee Institute have a dependence on some of these funds, and I wonder what the level of funding, I think it is $17,241,000, will have on those colleges and Tuskegee.

Dr. GREENWOOD. Major efforts of the 1890 Institutions and Tuskegee will be in planning and carrying out programs which focus on problems of limited resource farmers, with community leaders in small towns, and youth programs. The proposed fiscal year 1985 appropriation will not expand the program, but will maintain it at the current funding level.

Senator COCHRAN. Is the amount allocated for Extension activities the same as last year?

Dr. GREENWOOD. The 1981 farm bill stipulates that the 1890 Institutions receive at least 6 percent of the Smith-Lever funding for support of their programs.

SUBMITTED QUESTIONS

Senator Cochran. We are about to run out of time. I have to go somewhere else, and I know you have obligations, too.

Let me thank you all for being here. I think we have had an excellent hearing this morning. There are other questions which staff has prepared on some specific and more technical aspects of the activities in which you are engaged and which we will have to consider the funding for this year. I will ask you to respond to those in writing when you receive those questions from us.

I feel like I learned a lot from this hearing, and I hope that as we continue to work on this, if we have other questions, that you will let us have the benefit of your advice and counsel as we move forward in trying to determine what will be the appropriate level of funding for these activities.

[The following questions were not asked at the hearing but were submitted for response for the record:]

AGRICULTURAL RESEARCH SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

6-YEAR IMPLEMENTATION PLAN

Question: Are you continuing to follow your 6-year implementation plan?

Answer: Yes. We are updating the 6-year plan to reflect highest research priorities and are continuing to use the plan as a guide for ARS program direction.

Question: Last year, during our hearings, you said that final decisions had not been made concerning the plan, including a 47 percent funding cut in cotton insect research. What was your final decision for cotton insect research?

Answer: In 1984, approximately one hundred ARS projects totaling $10.7 million were redirected to high-priority research objectives, including the establishment of one new project at Mississippi State, Mississippi, on cotton insect-plant growth modeling. No cotton insect projects were terminated by redirection in 1984. In a continuing process, ARS routinely evaluates all of its programs to insure relevance to important agricultural problems and research needs. The review process for 1985 is incomplete, but no funds are expected to be shifted from cotton insects research. The boll weevil and cotton bollworm/tobacco budworm research programs in particular will receive continued emphasis. This does not mean there will be no shifts in the future.

Question: What redirections or lab closings do you propose for FY 1985?

Answer: We do not propose any lab closings in 1985. Program redirections for 1985 are now being identified but the final plans are incomplete.

Question: Please explain for the Committee what changes you are making or have made in the reorganization of ARS?

Answer: In response to recommendations on ARS organizational and management structure made by Congressional, Executive and outside groups over the past few years, ARS has made the following changes since November 1983:

The number of Areas was reduced from 25 to 11 with all Areas being enlarged. All major Centers retained their existing charters for conducting research.

Responsibilities and authorities for administrative support functions such as personnel were centralized at Headquarters. Other functions such as procurement, contracting, financial, property, and safety management, were decentralized to the 11 Area offices but still under the jurisdiction of the headquarters office. This essentially eliminated one level of administrative support and one handling of administrative transactions. These improvements will bring about a net reduction in ARS overhead nationwide of about $4.8 million and 140 administrative and clerical positions returned to research.

The Administrator strengthened the National Program Staff by delegating to them responsibility and authority for program planning and priority setting, program redirections, new research thrusts, program evaluation, and allocation of resources.

The responsibilities of the four Regional Administrators changed to focus more on ARS nationwide program initiatives and policies.

The Regional Information Staff was reduced by more than 50 percent with all staff reporting to a Director at ARS headquarters. Other activities such as printing, editing, audiovisual, and technical editing in the Regions were eliminated. These changes reduced ARS overhead by $437,000 and 24 positions.

Further adjustments in the staffing of administrative and program management positions are being studied. Administrative, clerical, technical, and operations support for facilities, maintenance, and security, will be studied and evaluated in FY 1985 to locate and capture additional savings.

All of the organizational changes will result in savings in overhead of up to $6 million and 200 personnel slots.

Question: What will you do with savings from these reorganization changes?

Answer: All savings will be retained in ARS and used to expand high priority programs. The funds and personnel slots are being shifted to research programs at the same locations where the administrative operations were curtailed.

ARS HIGHER EDUCATION

Question: What percentage of space in your research facilities is presently utilized by ARS? By non-ARS scientists?

Answer: The Agricultural Research Service presently has a utilization rate of 86% which includes non-Agricultural Research Service occupancy at a rate of 14%.

RETIREMENT AND REPLACEMENT OF SCIENTISTS

Question: How many agricultural scientist retirements are projected during the next 5 years in the Agricultural Research Service and state agricultural experiment stations which conduct Federally sponsored agriculture research?

Answer: The Agricultural Research Service projects that by 1988, a total of 742 scientists will be eligible to retire. We project that approximately 35 percent of eligibles will retire and will result in 225-275 retirements within the next 5 years.
The Cooperative State Research Service, CSRS, indicates that approximately 1700 scientists who work at State agricultural experiment stations will retire within the next 5 years.

Question: Do you anticipate having enough qualified scientists to replace those who will be retiring? Will you replace them with older scientists or younger ones, perhaps new graduates from agricultural colleges?

Answer: ARS anticipates some difficulty in replacing retiring scientists with qualified scientists. ARS projects that by 1988, 742 scientists will be eligible to retire and that approximately 225-275 will have actually retired. Each year, only 600-650 U.S. citizen Ph.D.'s graduate in a field applicable to the food or agricultural science area. This small number of qualified scientists are competed for by private industry, the state agricultural experiment stations, colleges and universities, other USDA agencies, the Department of Defense, foreign countries, and others. This general shortage is especially critical in "bio-tech" fields -animal genetics, etc.-, agricultural engineering, soil and water sciences, international marketing, and nutrition sciences.

ARS plans to hire more recent Ph.D.'s and younger scientists. Since October 1, 1983, 82 percent of scientists hired were at the GS/GM 11-13 level. This increase in younger scientists will be of value to the quality of ARS research and will also lower the average age of ARS scientists. The intensive competition for this type of person will make it difficult to recruit the numbers of young Ph.D. scientists ARS will need.

Question: In 1980, USDA issued a report stating that demand for college graduates in the food and agricultural sciences will exceed the available supply by almost 15 percent and that that percentage may be understated. Has that outlook improved?

Answer: Available enrollment data from Colleges of Agriculture in our land-grant institutions show a 20 percent decline in the last four years. This indicates that the situation is not improving and may in fact be getting worse.

Question: Last year, you testified (page 699) that "future efficiencies in the U.S. agriculture and food system will be largely dependent upon the strength of the agricultural higher education system". Do you still hold that view?

Answer: Historically agricultural schools and colleges have served as the Nation's major producer of food and agricultural expertise. While other types of teaching programs produce graduates with related expertise they are not prepared to assume the burden of producing the essential critical mass of food and agricultural expertise for the Nation. I remain therefore committed to the goal of strengthening the education system in the food and agricultural sciences as the best means to assure the availability of needed scientific and professional expertise.

Question: Mr. Bentley, you are cochairman of the Joint Council on Food and Agricultural Sciences, are you not? The Administrators of the agencies under your jurisdiction are all members of that Council, are they not?

I noticed in a report published by that Council that the second highest priority in food and agricultural sciences for Fiscal Year 1985 (first was biotechnology) is "scientific expertise development," which states: "Declining college enrollments in agriculture will lead to a shortage of scientists, technicians, and entrepreneurs needed to develop and implement new opportunities in agricultural technology, and will eventually result in a decline in productivity."

The report further states that the Council supports funding increases proposed by the three legislative subcommittees of that Council. One of those recommendations was an FY-85 budget increase for higher education in ARS of $18.5 million.

In your budget, however, you request a $5.8 million decrease for higher education. Have you and others on the Joint Council changed your mind all of a sudden that higher education wasn't that high of a priority after all?

If you use "budget constraints" as your reason for lower funding, wouldn't your Council's prediction for a decline in productivity, if enrollments continue to decline, justify, for the benefit of agriculture as a whole, the funding for higher education?

Answer: Budgetary constraints have not permitted the Department to request direct funding for enrollment stimulation via graduate fellowships. The Department does recognize the importance of stimulating the development of agricultural expertise. We further believe that there are many methods available to the Department to assure an adequate supply of scientific and professional expertise in the food and agricultural sciences. In FY 1984, the Department conducted two Higher Education grant programs - the $2.8 million Morrill-Nelson permanent appropriation, which provides $50,000 to every State and Territory and the $5 million Competitive Graduate Fellowships Grant program to attract future scientists and professionals to shortage areas in the food and agricultural sciences. In FY 1985, the Administration proposes to replace the Morrill-Nelson program with a new $2 million program specifically for the historically black 1890 Colleges and Universities, Tuskegee Institute and the University of the District of Columbia. Separate funding exclusively for a Competitive Graduate Fellowships Grant program designed to attract students to particular disciplines is not proposed in FY 1985. However, based on previous experience, about one-quarter of the proposed $50 million funding level for CSRS Competitive Research Grants are likely to be used for support of research assistants.

FELLOWSHIP GRANTS

Question: You propose $28.5 million in biotechnology - basic research based on hit-and-miss experimentation. It is my understanding that results even from this initial funding will not be available for several years. Yet you virtually eliminate a program that is a sure bet to benefit the country within the next few years. Is this not worth the investment of Federal funds?

Answer: The Administration does not support continuation of the program for higher education fellowship grants. At a time of such severe Federal funding constraints, funds should not be used to initiate and expand a new program designed to overcome shortages in particular disciplines. This funding would inevitably compete with other ongoing science and education programs for these limited funds. The Department will indirectly fund many graduate students through the $50 million proposed for Competitive Research Grants in the Cooperative State Research Service budget, as approximately one-quarter of these funds are directly used to hire graduate and post-graduate students to assist in the research.

1890 LAND GRANT INSTITUTIONS

Question: I know you have proposed a new $2 million grant program for students at the 1890 land grant institutions and Tuskegee. The report from the Joint Council stated: "An increased proportion of agricultural science and education resources should be directed to attracting the brightest and best students." I know we have many bright students and some of the best students attending our 1890 institutions, but are you suggesting all the best and brightest students in agriculture go to the 1890 schools? What about other land-grant institutions?

Answer: The Agricultural Research Service does not suggest that all the best and brightest students in agriculture attend 1890 Colleges and Universities. With the tight budget constraints, ARS feels that the funding can best be utilized to strengthen the quality of food and agricultural science academic programs and the student recruitment programs for the 18 historically black Land-Grant colleges and universities. The funding for higher education supported through a permanent appropriation in the Second Morrill Act of 1890 has remained at the $50,000 level for each state and territory since 1912. The amount of funds per institution is very small by current day standards, however, they continue to be an important part of the budgets at historically black Land-Grant institutions. Each institution would receive $111,000 with the proposed $2,000,000 funding being distributed equally to the 1890 Colleges and Universities, Tuskegee Institute, and the University of the District of Columbia. This would almost triple the $700,000 that these institutions will receive in Morrill-Nelson funds in fiscal year 1984.

AGENCY REQUEST

Question: Please provide for the record a list of the areas of research and programs that were recommended for initiation or expansion in FY 1985 by your scientists and managers in ARS prior to review by your office, the Office of the Secretary and the Director of OMB. What was the amount of these recommended increases?

Answer: We will be glad to provide the information for the record. (The information follows:)

FY 1985 Recommendations
($ in thousands)

Program	Agency Est.	Dept. Est.	Budget Est.
Animal Production -			
Determine genetic variation in biochemical, physiological, and behavioral traits of animals and devise ways for using the information to accelerate genetic improvement	$1,000	$1,000	$400
Methods for diagnosing livestock diseases in support of action programs	1,000	1,000	200

Program	Agency Est.	Dept. Est.	Budget Est.
Improve genetic resistance of animals to diseases and parasites	2,000	1,400	400
Increase efficiency of germ cell and embryo production, transfer, and storage, and of techniques for producing more offspring of superior quality	1,000	--	--
Plant Production -			
Establishment and operation of interdisciplinary experiments on integrated agricultural systems to validate models and facilitate technology transfer	3,000	3,000	600
Genetic engineering for modifying germplasm of plants	2,000	2,000	600
Develop technologies needed to assist APHIS in preventing the introduction of alien plant diseases, insects, and weeds that threaten U.S. agriculture	1,500	1,500	600
Strengthen research to improve the capacity to discover and introduce biological control agents from abroad	1,000	1,000	400
Basic physiology and biochemistry research in support of genetic engineering to control plant adaptation to, or amelioration of, environmental stress	1,800	--	--
Assess and quantify the critical interactions among the different factors controlling the production and marketing of wheat for domestic and foreign consumption	1,000	--	--
Mission-oriented exploratory research on the biological basis for crops protection	2,000	--	--
Collect, evaluate, maintain, and make accessible for use, new sources of germplasm of our present crops and new crops and assess the potential of these genetic resources for meeting agricultural, industrial, and medicinal needs.	2,000	--	--
Soil, Water and Air -			
Devise methods for maintaining and improving soil fertility and the chemical and biological properties of soils for optimum crop production	1,500	1,500	550

Program	Agency Est.	Dept. Est.	Budget Est.
Support of Soil Conservation Service for developing cost-effective technologies for controlling soil erosion on croplands and rangelands..............	1,000	1,000	450
Develop methods for increasing, conserving, and managing water supplies available for agriculture, improving water quality, and reducing cropland damage from flooding..................	1,500	--	--
Improved techniques and systems for assessing, predicting, and monitoring changes in the productive capacity of land and soil resources...............	1,000	--	--
Study the impact of acid precipitation on crops, soils, and water............	1,000	--	--
Support of Soil Conservation Service for developing crop production systems for areas where water is a limiting factor..............................	1,000	--	--
Identify the biological and biochemical mechanisms that affect properties of agricultural materials.............	2,000	2,000	900
Techniques to control postharvest losses and quality to enhance exports..	1,500	1,500	800
Devise means to regulate and control the biological processes that enhance usefulness of agricultural products....	2,000	--	--
Support of the Foreign Agricultural Service for the development of remote sensing systems for predicting crop yield...............................	500	--	--
Human Health and Safety -			
Basic research on carcass washers and Salmonella to assist Food Safety and Inspection Service in reducing exposure of consumers to food borne organisms...	500	--	--
Methodologies to help identify different classes of wheat in a rapid and simple manner.........................	500	--	--
Human Nutrition -			
Nutrition needs of elderly and relationships of nutrition to aging (Tufts)....	1,000	--	--
Bioavailability of nutrients in foods as consumed (Grand Forks).............	1,000	--	--

Program	Agency Est.	Dept. Est.	Budget Est.
Nutritional requirements of infants, children, adolescents, and of pregnant and lactating women (Baylor)...........	600	--	--
Research on nutrition status assessment (LAIR)...........................	600	--	--
Research the energy balance in humans as it is affected by dietary intake and activity level (Beltsville)........	500	--	--
Role of soils and management practices on the nutritional quality of crops (Ithaca)..............................	500	--	--
Higher Education -			
Pre and Post Doctorate Fellowships.....	10,000	10,200	-5,000
Grants for 1890 Colleges and Universities, Tuskegee Institute and the University of the District of Columbia.	--	--	2,000
Decrease for the Morrill-Nelson program	--	--	-2,800
Other Changes -			
Decrease associated with improved efficiencies in administration support activities...........................	--	--	-152
Decrease associated with a phased reduction of positions in grades GS/GM 11-15..........................	--	--	-724
Annualization of pay cost that was absorbed in FY 1984 that is necessary to carry out the program in FY 1985...	9,058	9,058	9,058
Total Recommendations.............	56,558	36,158	8,282

JOINT COUNCIL RECOMMENDATIONS

Question: Please also include the recommendations of the Joint Council on Food and Agricultural Sciences.

Answer: The Joint Council on Food and Agricultural Sciences has recommended the following needs to continue solving problems of U.S. agriculture.

- o Developing scientific expertise in agriculture
- o Biotechnology in agriculture - new tools for the oldest science
- o Information systems and communication technology
- o Scientific requirements for maintaining technology
- o Equipment and facilities

MORRILL-NELSON

Question: It is my understanding that the Morrill-Nelson permanent appropriation for higher education grants was transferred from the Department of Education to ARS, and now ARS proposes to eliminate this appropriation. Is this your choice to discontinue this appropriation based on merit, or was the decision to eliminate this appropriation a decision made by OMB?

Answer: As you are aware, the Second Morrill Act and the 1907 Nelson Amendment permanently appropriate $50,000 to each State and Territory to support higher education at land-grant institutions. This Morrill-Nelson program has grown to $2.8 million in non-discretionary annual funding. The program was transferred to this Department by Section 1419 of P.L. 97-98 (the 1981 Farm Bill). The Administration requested no funding for Morrill-Nelson in the FY 1982, FY 1983, and FY 1984 budgets and suggested appropriation act language to override temporarily the permanent appropriation in each of these years. The Administration believes that this permanent appropriation results in untrageted and ineffective spending at a time when fiscal restraint is urgently needed.

The amount of funds per institution is very small by current day standards, however, they continue to be an important part of the budgets at historically black Land Grant institutions. In recent years, the research programs and facilities at the land grant institutions have been strengthened through the provisions of Sections 1444 and 1445 of P.L. 95-113, as amended, and Section 1433 of P.L. 97-98. A stable funding base for resident instruction is also needed to ensure a strong overall program in the food and agricultural sciences. The proposed $2,000,000 funding will be distributed equally to the 1890 Colleges and Universities, Tuskegee Institute, and the University of the District of Columbia ($111,000 to each). This will be almost triple the $700,000 that these institutions received in Morrill-Nelson funds in FY 1984.

FORUM ON AGRICULTURE

Question: On January 16 of this year, the Department of Agriculture co-sponsored a forum on how to keep U.S. agricultural research on the cutting edge. The forum focused on the need for quality people and equipment, and emphasized graduate level education assistance as "very much a national issue". Why, then, do you propose to downplay the Federal Government's role?

Answer: The Department was a co-sponsor of the challenge forum on January 16 with the National Research Council, Board on Agriculture, National Academy of Sciences. This was an effort to bring together key representatives from the private sector to increase awareness of this issue as a problem confronting American agriculture and to bring together a significant and interested group to stimulate industry to develop stronger ties among all three partners in the system---government/industry/academia. We believe there is a significant opportunity for industry and universities to strengthen partnerships and enhance our ability to develop the requisite human expertise in the food and agricultural sciences. We believe the Department has an important role in identifying areas of expertise shortages in food and agricultural disciplines and in providing leadership to attract students to these shortage areas. We also believe, however, at a time of severe Federal funding constraints and unprecedented deficits, funds should not be used to initiate new programs.

AVIAN INFLUENZA

Question: What progress is being made in the development of a vaccine for avian influenza?

Answer: Technology is currently available to the biologics industry for vaccine production to protect flocks of adult chickens and turkeys from the clinical signs of avian influenza infection, especially the less virulent strains. Vaccines have been used in several states in past years to reduce losses in turkey flocks due to the clinical complications of less virulent avian influenza virus infections. ARS is conducting research to develop methods for an improved vaccine. This research has a high probability of success and is likely to result in a safe and improved vaccine within the next 2 years.

Question: How long will it be before you develop a vaccine acceptable to the countries we export poultry to?

Answer: The countries receiving U.S. poultry exports do accept products from areas where avian influenza vaccine has been used to protect flocks from the less virulent strains. The current practice and philosophy by other countries, i.e., Australia, Ireland, and England, is to eradicate the virulent virus, not control the disease by use of vaccine.

It is not likely that we will ever have a vaccine that is acceptable to importing countries since vaccines and vaccine technologies currently being studied do not prevent the fowl plague-like strain of avian influenza virus from being shed from a flock, exposing other birds. Vaccines probably will reduce the losses in a flock, but that flock will not likely be permitted or desired entry into international trade. Vaccination will not eradicate the virus; it merely reduces the losses in a flock if used prior to exposure to the virus. Vaccines are not considered by experts on avian influenza to be compatible with eradication efforts since vaccinated animals may act as virus reservoirs.

GYPSY MOTH

Question: What progress is being made in gypsy moth research?

Answer: A virus strain was discovered that is much more effective than the viruses now used for biological control of the gypsy moth. Also, technologies were developed to reduce costs by 60 to 90 percent for mass producing gypsy moth viruses and sterile gypsy moth adults for area wide control programs.

AGENCIES OUTSIDE USDA

Question: Would you provide a list of agencies (outside USDA) which conduct food and agricultural research and the level of funding provided them?

Answer: The latest information available is as a result of a survey conducted in FY 1981. The following information is available from the "Inventory of Research, Extension, and Higher Education Related to Food and Agriculture" printed in March, 1982:

Federal Food and Agricultural Research Programs
Conducted by Departments or Agencies
Other Than USDA

Department/Agencies	FY 1981 (Millions of dollars)
Agency for International Development.........	$108.7
Department of Commerce......................	72.5
Department of Defense.......................	25.0
Department of Energy........................	36.5
Environmental Protection Agency.............	13.5
Department of Health and Human Services......	193.8
Department of Interior......................	103.9
International Trade Commission..............	1.4
Department of Labor.........................	2.6
National Aeronautics and Space Administration	25.0
National Science Foundation.................	24.5
Tennessee Valley Authority..................	19.5
Veterans Administration.....................	2.6
Totals..................................	$629.5

OVERSEAS RESEARCH

Question: What research activities does USDA participate in overseas? Is this funded by the special currency program or by ARS program moneys?

Answer: Since ARS' primary focus is on U.S. food and agriculture priorities, its major interest in foreign agriculture and international trade concentrates on activities that can enhance its ability to meet national goals. Much of the research being done abroad by ARS is essential to the domestic programs. Often such research would be less effective were it done within the United States because of constraints such as lack of facilities, high costs, risk of introducing new pests into the United States, and the non-availability of natural habitats. Because of its structure, goals, and funding constraints, ARS views its primary role in research abroad as providing unique and critical support to U.S. national research programs thereby accelerating its ability to meet, through research, the needs of U.S. farmers, consumers, and exporters.

ARS overseas laboratories include: four biocontrol locations -France, Italy, Korea, Argentina- involved in finding environmentally sound alternatives to chemical controls for insects, weeds, and other pests; an export marketing research program in the Netherlands that contributes to more efficient marketing of U.S. agricultural products in Europe; an exotic animal disease lab in Kenya; a narcotic substitution project in Thailand; and, a Mediterranean fruit fly program in Guatemala.

The overseas research laboratories play an integral part in domestic programs. The overseas biocontrol laboratories are the main sources of beneficial organisms which are needed in the ARS biological control research and in state programs of comparable magnitude. The overseas marketing laboratory makes evaluations on U.S. agricultural commodities arriving in Europe. Feedback on arrival conditions of test shipments is provided to several domestic labs so that new technologies can be developed for maintaining quality and reducing losses of U.S. agricultural exports.

Coordination of overseas and domestic programs is principally effected by the National Program Staff, (NPS) members who have technical expertise in specific program areas. The NPS has the responsibility for providing the direction of the research personnel and programs of ARS overseas laboratories. It is the NPS who provides the vital link between the overseas and domestic laboratories, and ensures that research programs are in concert with, and support one another.

Special long-term cooperative programs supported entirely by ARS are underway; for example, in Mexico on screwworm eradication, in Brazil on a fire ant program, and in Venezuela and Argentina on Africanized bee containment.

More specifically, the screwworm research project in Mexico is located at Tuxtla Gutierrez, in close association with the screwworm production facility. This research program is specifically designed to support the USDA-APHIS screwworm eradication effort and includes components of strain development, field biology, population genetics, screwworm attraction, and rearing technologies.

Imported fire ant research in Brazil is conducted in cooperation with EMBRAP, the Brazilian counterpart to ARS. This work, located at a field station in Caceres, Brazil, concentrates on discovering natural biological control agents of the imported fire ant in its native environment. Should effective pathogens or predators be found, they will be introduced into the United States as a supplementary part of an integrated systems approach to imported fire ant management and control.

ARS provides the technical support to evaluate and prioritize research proposals under the U.S.-Israel Binational Agricultural Research and Development Fund (BARD). This is done annually in cooperation with Israeli scientists. For example, in 1983, 134 proposals were evaluated and prioritized. Of the 244 active grants in the program, ARS participates in and is partially funded by BARD on some 109 research projects at 41 ARS domestic labs.

ARS participates heavily in scientific exchanges with foreign agricultural research ministries, institutes and research centers. Much of this activity is supported with ARS funds, and the remainder from outside organizations such as Office of International Cooperation and Development (OICD), Agency for International Development (AID), National Academy of Sciences (NAS), National Science Foundation (NSF), Food & Agricultural Organization of the United Nations (FAO), International Atomic Energy Agency (IAEA), World Health Organization (WHO), foreign institutions and governments, and others.

ARS also provides technical support for the Special Foreign Currency Research Program (PL-480), U.S.-Poland Joint Board, and the U.S.-Yugoslavia Joint Board. Active research grants in these programs under ARS cooperation as of September, 1983, total Egypt 32, India 52, Pakistan 59, Poland 20, and Yugoslavia 31.

FIRE ANT CONTROL

Question: What new discoveries have you made in fire ant control?

Answer: Since the research effort to develop effective, environmentally safe alternative toxicants to Mirex began, two new products, Amdro® and Pro-drone®, are now commercially available, and two more products, Affirm® and Logic®, anticipate commercialization in the spring of 1984. Other new toxicants are also being evaluated and show promise for eventual registration. ARS scientists have successfully identified and characterized the chemical components of a queen pheromone and a trail-following and recruitment pheromone. These accomplishments could make a major contribution to new technologies for imported fire ant control. Research on economic effects has not only provided valuable information about the impact of imported fire ants on public health in the southeast, but has also documented some major losses in crop productivity. Such information is necessary in establishing economic thresholds which guide the development and implementation of integrated systems approaches to imported fire ant management.

INTEGRATED REPRODUCTION MANAGEMENT (IRM)

Question: What progress has been made in integrated reproduction management?

Answer: ARS initiated research on integrated reproduction management in fiscal year 1982. All ARS IRM projects were initiated in accordance with ARS authority for cooperative research and conform to the proposed guidelines for IRM. Each year since 1982, $1,285,000 has been used to support IRM research on beef, dairy, sheep, swine, and poultry. Seven ARS research locations are working cooperatively with more than 20 State Agricultural Experiment Stations on IRM projects.

Question: Has the USDA-IRM panel, appointed in 1981, been helpful in IRM progress?

Answer: Yes. The USDA-IRM panel, appointed in 1981, has provided the leadership, and, along with the Regional IRM Developmental Committees, has developed the guidelines for IRM research.

ARS PROGRAM PRIORITIES

Question: Please summarize for the committee the items of highest priority research within each major mission area (plant, animal, soil and water, post-harvest, and nutrition).

Answer: In addition to Administration policies and Congressional directives, ARS responds to research needs and recommendations from national commodity and user groups, action agencies, and external advisory groups. Current areas of research program emphasis are:

Priority research programs in the soil and water conservation area are: conservation tillage to control soil erosion and improve soil productivity; soil nutrient cycling and fertility; agricultural water supplies and quality; and integrated systems for managing resources and optimizing production efficiency.

In the plant productivity area, research considered high priority is: the collection, maintenance, and evaluation of germplasm of plants and other beneficial organisms; new methods for enhancing germplasm; growth and development processes of crop plants and microorganisms; and principles for control of crop pests; and integrated crop production and management systems.

High priority research areas in animal productivity are: genetic resistance to disease and insects; increased reproductive efficiency and genetic improvement through egg and embryo production; increased lean product quality and improvement through nutrition; reduction of production losses from diseases, parasites and toxic substances; integrated systems for controlling insects; and integrated reproduction management practices to increase production efficiency.

Postharvest high priority research areas include the enhancement of the value of agricultural products; removal of external toxic factors in foods and feeds; prevention of product losses after harvest; and development of means to meet or eliminate quarantine restrictions on trade of American farm products.

In the human nutrition area, high priority research is to define nutrient requirements of infants, children, and pregnant and lactating women; define relationship between nutrition and aging; determine bioavailability of nutrients in foods as consumed; and develop improved techniques for assuring effectiveness of nutrition and home economics programs.

ACID RAIN

Question: Is USDA doing any acid rain research?

Answer: Yes. At Raleigh, North Carolina, ARS conducts a $284,000 research program on the response of crop plants and soils toacid precipitation and how that response is affected by other atmospheric gases such as ozone, and the oxides of sulfur and nitrogen.

AQUACULTURE

Question: In fiscal year 1983, the funds appropriated for aquaculture research were not fully utilized. What is the current obligation status of funds appropriated for aquaculture research?

Answer: The current level of funds appropriated to ARS for aquaculture research is $322,000. These funds are allocated to catfish waste utilization research at the Southern Regional Research Center in New Orleans--$295,000, and at the ARS Parasite Research Laboratory in Auburn, Alabama--$27,000.

Question: Have you completed work on the national aquaculture development plan mandated by the National Aquaculture Act of 1980? If so, when? If not, why not?

Answer: Work has been completed on the national aquaculture development plan mandated by the National Aquaculture Act of 1980. It was signed by Secretary John Block early in calendar year 1983, and was published as Volume I in September 1983.

SCIENTIFIC/TECHNICAL PAY SYSTEM

Question: The Users Advisory Board has recommended that research scientists be paid according to a scientific/technical pay system that would be separate from the regular Civil Service System. What is the Department's position on this proposal?

Answer: The Department supports the need for more flexibility at the agency level regarding the pay and recruitment of scientists and engineers, and agrees with the intent of the proposal to develop a system that simplifies personnel processes, and enables us to recruit and retain top quality scientific personnel.

IMPACT OF GRADE REDUCTION ON SCIENTIFIC RECRUITMENT

Question: What effect will the reduction in GS/GM 11-15 positions have on the scientific recruitment efforts?

Answer: Due to the intense competition for Ph.D.'s in food and agricultural science fields, ARS will have to be competitive in order to maintain the necessary levels of scientists. ARS plans to recruit more young scientists at the GS 11-12 level to replace retiring scientists and to fill newly created and authorized positions. The impact of the reduction will be felt primarily in the staffing of new research initiatives. To avoid this impact, our intent is to reduce the grades of positions in management and overhead functions.

STAFFING

Question: In 1985 the estimated number of ceiling and non-ceiling scientist positions will total 100 fewer than the estimated number in 1984. How can you justify this decrease in scientific personnel?

Answer: The decrease you refer to is total staff-years. The scientific staff-years will not be adversely impacted as a result of this ceiling reduction.

PLUM ISLAND

Question: Has the transfer of the Plum Island Animal Disease Center to APHIS been a smooth transition?

Answer: The transfer of the diagnostic function from the Agricultural Research Service to the Animal and Plant Health Inspection Service had an exceptionally smooth transition. Both ARS and APHIS worked with designated task force members and transition teams in documenting principal issues involved in the transfer. Employees experienced little or no impact on their day-to-day work activities resulting from this transfer of function.

HUMAN NUTRITION

Question: The Users Advisory Board has recommended discontinuation of all human nutrition research by USDA. I am sure you are aware of the Congressional support for human nutrition research and was pleased to see that you did not propose a cut in that program. Was that proposal ever seriously considered?

Answer: Yes, but the USDA considers that its research on nutritional requirements, food composition, and bioavailability of nutrients relates directly to the broad goals of the Department in finding the solution of important national nutrition problems by making appropriate changes in the food chain and in the foods selected by people. Both USDA and NIH must play a role in human nutrition research to have a completely balanced program.

LASERS

Question: Could you briefly explain how lasers are being used to improve crops?

Answer: Laser technology is currently used in agriculture for land leveling operations and for controlling the grade when installing draining tile or irrigation lines. Both uses are important for efficient utilization of water for crop production. Other potential applications include the alignment of sprinkler irrigation systems, guidance of field equipment, and detection of airborne insects.

SMALL FARMS

Question: I understand that less than 1 percent of your research budgets will be targeted for problems unique to small farms. I also understand that last year you cut small-farm research funding from $4 million to $1.1 million. Since small farming is a key to America's financial and agricultural strength, don't you feel that more could be targeted to problems unique to small farms?

Answer: We have a total of $4 million on small farms research and this is essentially the level of funding planned for FY 85. Broadly speaking, all ARS research directed to the development of improved technologies for conserving soil and water resources and increasing production efficiencies is applicable to small farms.

PLANT PROTECTION

Question: I am curious about the trichogramma wasp for controlling bollworms. Could you explain how this insect operates (i.e., how fields are populated with the wasp, how it controls bollworms, etc.), and the progress being made in its use?

Answer: The trichogramma wasp is a very small insect which searches out and lays its eggs into the eggs of bollworms and other insects. The immature parasite then develops in the bollworm egg and, in the process, destroys the host egg. The trichogramma wasp occurs naturally and, when conditions are favorable, high populations and rates of parasitism occur. However, natural infestations cannot be depended upon to maintain bollworm populations below the economic damage level. ARS research has developed the means to rear large quantities of these parasites in the laboratory and distribute them in fields to achieve suppression of bollworms. In large scale tests recently completed using this augmentation-technique, it was found that the presence of pesticides used to control pests other than the bollworm, inadvertently also suppressed the wasp population. In agricultural fields where insecticides are not used to control pests, the trichogramma augmentation technique is likely to achieve economic control. Much of the research in support of the trichogramma augmentation technique is complete. Research will continue to adapt the technique to other pest/crop combinations where potential for success is high.

GERMPLASM

Question: What is the current status of the National Plant Germplasm System germplasm resources?

Answer: The germplasm resources held in the National Plant Germplasm System (NPGS) are being safely maintained, users' requests for germplasm are being filled on a timely basis, and a national computerized information network is in place, being used, and being expanded to cover all germplasm sites. We must improve the usefulness of these germplasm resources to plant breeders and genetic engineers through acquiring much more information concerning their characteristics.

Question: Are those resources being evaluated at a satisfactory rate?

Answer: No, the collections held in the NPGS are not being evaluated at a satisfactory rate. This is the most critical need, and most demanding of funds and manpower, of all activities associated with the NPGS.

Question: What are you doing to accelerate evaluation?

Answer: On present funding, we are having experts for each of the crops develop evaluation projects that will provide the most critically needed information on a priority basis. We are implementing these plans as funds permit.

Question: A 1980 study by ARS estimated that the funding requirements are $21 million for 1984, rising to $40 million by 1988. Your request for FY 1985 is less than $15 million. This is one of the most important areas in agriculture research. Even the head of the Germplasm System said, "Considering the annual value of U.S. crops is about $80 billion, $40 million seems like a reasonable price to pay for conserving the foundation of the world's future food supplies." Why don't you request more funds for this need?

Answer: Tight budget constraints prohibit us from proposing increases for the National Plant Germplasm System.

BUILDINGS AND FACILITIES

Question: How many research facilities does USDA currently operate?

Answer: ARS conducts research in 115 ARS owned laboratories and 26 non-ARS owned facilities.

Question: Please provide a list of all facilities and the percent of capacity at which they are currently operating.

Answer: Provided is a table reflecting capacity and occupancy of all ARS facilities:

STATUS OF STAFFING OF AGRICULTURAL RESEARCH SERVICE FACILITIES
As of October 31, 1983
(Expressed in terms of scientific personnel)

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Alabama:			
Auburn	13	13	100
Arizona:			
Phoenix	41	31	75
Tucson	35	31	88
California:			
Albany	185	129	69
Brawley	10	4	40
Fresno	32	28	87
Pasadena	22	22	100
Riverside	32	32	100
Salinas	23	19	82
San Francisco	18	17	94
Shafter	12	10	83
Colorado:			
Akron	10	10	100
Denver	10	10	100
Ft. Collins	30	30	100
District of Columbia	35	29	82

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Florida:			
Gainesville	62	60	96
Miami	11	8	72
Orlando	22	21	95
Winter Haven	16	13	81
Georgia:			
Athens	118	111	94
Byron	24	16	66
Dawson	14	10	71
Savannah	38	23	61
Tifton	27	27	100
Watkinsville	18	11	61
Hawaii:			
Honolulu	11	11	100
Idaho:			
Boise	10	10	100
Dubois	12	12	100
Kimberly	28	28	100
Illinois:			
Peoria	180	169	93
Iowa:			
Ames	130	116	89
Kansas:			
Manhattan	47	25	53
Louisiana:			
Baton Rouge	10	10	100
Houma	11	10	90
New Orleans	155	147	94
Maryland:			
Beltsville	599	563	93
Frederick	26	22	84
Hyattsville	10	9	90
Massachusetts:			
Boston	50	31	31
Michigan:			
East Lansing	11	10	90
Minnesota:			
Morris	15	9	60
Mississippi:			
Oxford	29	26	89
Mississippi State	31	31	100
Stoneville	55	39	70

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Missouri:			
Columbia	17	15	88
Montana:			
Miles City	10	10	100
Sidney	11	4	36
Nebraska:			
Clay Center	67	29	43
New Mexico:			
Las Cruces	15	15	100
New York:			
Plum Island	47	38	80
Ithaca	21	16	72
North Carolina:			
Oxford	16	8	50
Raleigh	26	26	100
North Dakota:			
Fargo	55	55	100
Grand Forks	21	21	100
Mandan	20	20	100
Oklahoma:			
Durant	22	22	100
El Reno	17	15	88
Stillwater	15	15	100
Woodward	10	7	70
Oregon:			
Corvallis	10	10	100
Pendleton	15	15	100
Pennsylvania:			
University Park	30	30	100
Wyndmoor	170	152	89
Puerto Rico:			
Mayaguez	12	10	83
South Carolina:			
Charleston	14	14	100
Florence	29	16	55
South Dakota:			
Brookings	15	9	60

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Texas:			
Brownsville	15	8	53
Bushland	28	23	82
College Station	50	45	90
Houston	21	21	100
Kerrville	20	17	85
Temple	28	28	100
Weslaco	36	31	86
Utah:			
Logan	23	23	100
Washington:			
Yakima	19	14	73
Wenatchee	15	11	73
West Virginia:			
Beckley	21	14	66
Kearneysville	20	19	95
Wisconsin:			
Madison	19	9	47
Wyoming:			
Cheyenne	11	6	54
Subtotal, (82 Locations with capacity of 10 or more scientists)..	3,289	2,834	86
All other locations (33 with capacity of less than 10 scientists).........	153	131	85
Total, Federal Facilities.........	3,442	2,965	86

Number of Non-ARS Scientists included above...... 474

Number of ARS Scientists included above:

ARS Senior Scientists (GS-11 and above)........ 2,253

ARS Junior Scientists (Below GS-11)........... 238

Total..................................... 2,965

BUILDINGS AND FACILITIES

Question: What is the reason for the under utilization of these facilities?

Answer: Funding has been inadequate to staff research facilities at optimum levels. Budgetary constraints, reduced spending for economic recovery, inflation, and emphasis on reducing Federal employment will continue to limit funding and staffing. ARS is continuing its plans to meet long range research and staffing needs on a prioritized basis emphasizing the research and facilities necessary to carry out the mission of ARS.

Question: How much is spent annually on new equipment and maintenance of old equipment in ARS labs?

Answer: In Fiscal Year 1983 the Agency obligated $28.3 million for new equipment. Obligations for maintenance of equipment in Fiscal Year 1983 totaled $8.1 million.

Question: What is the status of each of the construction projects currently in the works? Are the projects which were funded for planning last year ready for the construction phase?

Answer: At present, the status of each project is as stated below.

The Children's Nutrition Research Center, to be located in Houston, Texas, is in the planning stage. An Architect-Engineer firm was selected on March 12, 1984, to design this project. A design contract should be awarded in May 1984. The design will be done in two phases--the first construction phase will be the foundation and parking structure to start in January 1985; the second construction phase will be the rest of the building to start in December 1985. This Center will be ready for the construction phase of the building foundation and parking structure in January 1985. The balance of the building will be ready for the construction phase in December 1985 and will immediately follow completion of the initial construction phase.

The Sunflower and Sugar Beet Research Laboratory, to be located in Fargo, North Dakota, is in the planning stage. A design contract should be awarded in June 1984. Architect-Engineer firms are being evaluated and interviewed for this project. This laboratory will be ready for the construction phase in August 1985.

The National Soil Tilth Laboratory, to be located in Ames, Iowa, is in the planning stage. Architect-Engineer firms are being evaluated and interviewed for this project. A design contract should be awarded in June 1984. This laboratory will be ready for the construction phase in August 1985.

The South Central Research Laboratory, to be located in Lane, Oklahoma, is being designed under an Architect-Engineer contract. The design will be complete by the end of March 1984. Bids for construction will be solicited in April and a contract for construction awarded in early May 1984. Construction should be complete in the summer of 1985. This laboratory will be ready for the construction phase in May 1984.

The Plant Stress Laboratory, to be located in Lubbock, Texas, is in the planning stage. An Architect-Engineer firm has been selected to design the project, and negotiations will take place in April 1984. An A/E contract will be awarded in May 1984. Design will be complete in December 1984. This laboratory will be ready for the construction phase in February 1985.

The National Forage Seed Research Center to be located in Corvallis, Oregon, is in the planning stage. Architect-Engineer firms have been evaluated and interviewed. The top-qualified design firm will be selected in March 1984. Negotiations will take place in April-May and a design contract awarded in June 1984.

The construction of the Adult Human Nutrition Research Center in Boston, Massachusetts, is complete except for some corrective and warranty work.

Construction contracts covering the completion of laboratory additions (Bldg. 101) at our Plum Island Animal Disease Center are currently underway. These contracts, totaling approximately $4.5 million, are due to be completed in June 1985. The final laboratory addition project at Plum Island (completion of Bldg. 257) will be ready for construction bidding in April 1984. The estimated cost is $950,000. Construction should be complete in June 1985.

GERMPLASM

Question: What are current plans for building a new facility for the USDA Small Grains Collection?

Answer: The ARS has upgraded the present facilities housing the Small Grains Collection at Beltsville, MD. We firmly believe that this facility will adequately and safely fill our needs for 5 to 10 more years.

Question: I understand industry personnel have suggested the possibility of an industry-funded or cost-shared facility for USDA use. Has serious consideration been given to this?

Answer: We are considering the suggestion advanced by industry of an ARS/industry cost-shared facility and we plan to meet with appropriate individuals to discuss the proposals.

Question: What is the estimated cost of each of the construction projects which have been or are being planned with Federal monies and have not yet begun construction?

Answer: The estimated construction cost of each of the projects is as follows:

Children's Nutrition Research Center, Houston	$49.0 million
Sunflower and Sugar Beet Laboratory, Fargo	9.1 million
Soil Tilth Laboratory, Ames	11.2 million
Plant Stress Laboratory, Lubbock	24.0 million

The above costs are estimates at this stage of the planning process based on FY 1985 dollars.

CHILDREN'S NUTRITION CENTER

Question: No funds were requested for construction of a Children's Nutrition Research Center facility in the President's 1985 budget. In view of the fact that $5.5 million planning funds were approved in 1984, what is the status of that planning and how soon could construction begin if funds were made available?

Answer: An Architect-Engineer firm was selected on March 12, 1984, to provide the design of this facility. Negotiations will be conducted in April and a design contract awarded in May 1984. Construction work on the foundation of the building will be bid separately for the building itself. Construction of the foundation can begin in January 1985 if funds are made available.

Question: What planning and design services will be acquired by the $5.5 million appropriation for the proposed Center?

Answer: The $5.5 million appropriation will be used to provide professional services for the design and monitoring of construction activities for the CNRC facility. Specific design services to be acquired by the $5.5 million appropriation include: preparation of construction documents, preparation of an environmental assessment, an extensive soils investigation, and topographical surveys. In addition, the services of a Construction Management firm will be acquired to assist in design scheduling, cost control, and technical evaluations during the project design phase. The $5.5 million appropriation will also provide professional services during construction. The following services will be implemented only when construction funds are authorized and received by the Agency: inspection of construction activities, review and approval of contractor submittals, cost control, and quality assurance.

Question: What efforts have been made to reduce the construction costs for the proposed Center?

Answer: There has been a concerted effort to reduce project costs without impacting the function of the proposed facility. A reduction in project costs has been accomplished primarily through a sharing of activities and accelerated construction scheduling. The original estimated construction cost for the facility was over $60 million. The project cost was reduced to approximately $49 million through a sharing of several functional support activities with Baylor College of Medicine and Texas Children's Hospital.

Question: Is it important, from a program standpoint, that this construction move forward as expeditiously as possible?

Answer: Yes. The presently rented facilities do not provide needed optimal conditions for use of some of the specialized laboratory equipment, i.e., low level gamma ray spectrophotometer, thereby, limiting the sensitivity of certain methods. Also, the present facility does not minimize the danger of fire damage to expensive equipment.

Question: It is noted that the proposed Children's Nutrition Research Center is to be constructed on leased land. Why was the acquisition of the land title not feasible and what legal precedence exists for the construction of a facility of this size on leased land?

Answer: Acquisition of the land title was not feasible because of the specific and unique nature of the restrictions governing the Deed by which the Texas Medical Center, Houston, Texas, acquired the land upon which the proposed Children's Nutrition Research Center is to be built.

There is precedence for construction of laboratories on leased land; however, these structures have been of a relatively smaller size, i.e., from $500,000 to $5 or 6 million.

Question: Has the land-lease contract for locating this facility in the Texas Medical Center been worked out to the satisfaction of the USDA?

Answer: Land-lease arrangements have not been finalized. There has been considerable discussion between the Office of General Counsel, USDA, and the Attorneys for Baylor College of Medicine and Texas Children's Hospital. It is the consensus of those involved, that these negotiations have been proceeding very smoothly and that the land lease can be finalized by the end of April, 1984.

HUMAN NUTRITION

Question: Is the ARS satisfied with the quality of research at the CNRC and the progress toward meeting its mission?

Answer: Yes, the Children's Nutrition Research Center (CNRC) has made good progress in initiating nutrition research programs in child growth and lactation. Emphasis has been placed on the use of stable isotopes, non-invasive, to measure absorption and utilization of food components, protein and energy, making the Center a leader in this area.

Question: To meet the mission of the CNRC, is there a need for additional appropriations for the research program operations of this Center, particularly for the addition of a pregnancy research program?

Answer: The research operations will need to be expanded in order for the CNRC to meet its total mission, but with constraints on funding no increase in program operation support is planned at this time.

Question: Has the Center been coordinating with ARS research scientists outside the area of human nutrition and has the Center been responsive to the needs of the USDA in applied nutrition programs?

Answer: Yes, the Center has collaborated with scientists at other ARS Laboratories. Also, this Center, in collaboration with the Western Human Nutrition Research Center, is involved in a project to improve anthopometric nutritional status assessment and dietary intake methodologies as requested by the Food and Nutrition Service for evaluation of programs and eligibility of recipients.

Question: Has the Center responded to the Congressional mandate to coordinate with NIH/NICHD or other Federal programs related to human nutrition?

Answer: Yes, an NIH official is a member of the Centers Council of Scientific Advisors. The staff of the Center also has a research contract and research grants from NICHD in support of part of their research.

TUSKEGEE

Question: How many black students are now enrolled in veterinary schools in the United States?

Answer: The total number of black students enrolled in veterinary schools in the United States is 203.

Question: How many are enrolled at Tuskegee Institute?

Answer: There are 148 black students enrolled in veterinary science at Tuskegee Institute (Association of American Veterinary Medical Colleges, comparative data report 1983-84).

Question: What research and veterinary care is now focused on minor species in the U.S.?

Answer: The primary animal health research efforts on minor animal species are bluetongue, foot rot, internal parasites, respiratory diseases, scrapie, goat arthritis encephalitis, and abscesses. In addition, much of the animal health research on large ruminants (cattle) is also applicable to minor species.

Question: Where is it being conducted, and at what funding level?

Answer: ARS research locations and funding levels for fiscal year 1984 are Ames, Iowa, $614,700; Beltsville, Maryland, $328,400; Pullman, Washington, $557,300; and Denver, Colorado, $531,000. This total of $2,031,400 represents ARS' research input into minor species.

In addition, Cooperative State Research Service research funding level for protection of minor species in FY 1984 is $1,583,000. These CSRS funds are apportioned among 34 states: Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisana, Michigan, Minnesota, Montana, New Jersey, Nevada, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Question: Have you given any consideration, notwithstanding budget constraints, to constructing a facility at Tuskegee Institute for research and veterinary care on minor species?

Answer: No, we have not. We don't believe a facility dedicated for this research is essential. ARS has a number of existing research facilities that are underutilized.

AGRICULTURE RESEARCH OUTSIDE USDA

Question: Dr. Bentley, you mentioned in your statement (page 4) that in 1981, 13 agencies outside USDA had funding for food and agricultural research. What are some of those other agencies?

Answer: An "Inventory of Research, Extension and Higher Education Related to Food and Agriculture" was conducted in FY 1981. Some of the Agencies performing agricultural research outside USDA include: National Aeronautics and Space Administration; Agency for International Development; Department of Commerce; National Science Foundation; Department of Interior; Department of Energy; Department of Defense and the Department of Health and Human Services.

Question: What are some of the types of research in which they are involved?

Answer: These agencies conduct research in support of their missions. For example, Defense is concerned with food service systems and the development of new food items to meet unique military requirements; it is also concerned with military health hazards and studies on parasites, bacterial and viral diseases. Health and Human Services is concerned with food safety and food additives; human nutrition and nutrition labeling and biomedical research into the causes, prevention and cure of diseases. The National Science Foundation's major focus is basic research for improved understanding of the fundamental laws of nature involving productivity, energy, environmental quality, etc. The Department of Interior is concerned about soil, water and air management; range management; water resources and water quality, etc. The Agency for International Development supports agricultural research in developing countries throughout the World.

Question: Since 43 percent of the food and agricultural research was being done outside USDA, are you not concerned about the future of our own research agencies within USDA? Why does USDA not have more of a lead role in this area, which should obviously come under USDA jurisdiction?

Answer: Obviously we are concerned about agricultural research conducted within and outside the USDA. The goals of agricultural research are diverse and impact the missions and responsibilities of other Departments and Agencies under the existing structure of the Executive Branch. We see no threat to the agricultural research needed nor are the responsibilities of USDA agencies diminished.

Question: How can you be sure that USDA will continue to have "its appropriate place as a partner in these activities?"

Answer: USDA will continue to relate to the needs and issues throughout the agricultural community. In terms of agriculture and agricultural research, USDA historically has been and will continue to be the major clearinghouse and partner in solving the Nation's agricultural and consumer related problems. We see no lessening of this responsibility in future years.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

BASIC AND APPLIED RESEARCH

Question: Mr. Kinney, on March 6, yesterday, members of my staff and representatives of the Idaho and Washington Pea and Lentil Association met with Howard Brooks of your National Program Staff to discuss the ARS 6-Year Implementation Plan directive concerning a change in direction of research from applied to basic. Could you please explain to me exactly how this shift will be made, the amounts that will be shifted, and the expected percentages that will be applied to basic research and applied research at the end of the 6-year period.

Answer: All ARS research is directed toward solving agricultural problems. At the present time, about 50 percent of this research is applied and about 50 percent is basic. As we rewrite individual research projects or initiate new programs, we will gradually shift emphasis to basic research in order to obtain fundamental knowledge now lacking to solve problems. We expect to have 60 percent of our programs on basic research by 1990 and 40 percent on applied research. Based on our present FY 84 budget, this shift in emphasis will be about $8 million in each of the next 6 years. All basic research will be directed towards solving specific high priority problems related to food and fiber production and use.

POTATO RESEARCH IN THE PACIFIC NORTHWEST

Question: As you know, the States of Idaho, Washington, and Oregon produce 46 percent of the total U.S. potato crop and account for over half of the fall production. Farm gate value was $750 million in 1981 with processing and related activities the total value to the region approached $5 billion. Research activities conducted at the ARS faciities in the Pacific Northwest (Idaho, Washington, Oregon) are serving a vital role in plant breeding. If potato growers are to continue to meet the demands of domestic and foreign consumers continued research is needed. Could you please explain the total amount of funds available for potato research?

Answer: In FY 85, $4,761,300 is planned for potato research.

Question: What is the percentage of these available funds that could be used for potato research in the Pacific Northwest?

Answer: $1,095,800, or 23 percent, is for potato research conducted at ARS locations in the Pacific Northwest. We estimate that 75 percent of our total potato research program relates directly or indirectly to the potato industry research needs in the Pacific Northwest.

COST LIMITATIONS - BELTSVILLE FACILITIES

Question: Long term small grain production is dependent upon a continuing supply of new varieties. The development of new varieties is in turn, dependent on a diverse germplasm base. It has been established that the small grain germplasm collection needs new, improved facilities located in an area that minimizes costs and located in the grow-out area. Last year the Appropriations Committee recommended that such a facility be constructed at Aberdeen, Idaho.

The University of Idaho would build such a facility at Aberdeen to lease to USDA, ARS, on a long-term basis. Please explain why the ARS has requested a change in the language of the budget request to increase the cost limitation specifically for Beltsville.

Answer: The ARS Appropriations Language is annually updated for inflation costs at the Beltsville complex, considering present day construction costs as it relates to alterations, modifications, and additions.

NATIONAL SMALL GRAINS COLLECTION

Question: Does the ARS intend to continue to modify the Beltsville facility instead of continuing to review the cost savings of placing the germplasm facility in Aberdeen?

Answer: Agricultural Research does not anticipate any additional modification or upgrading of the Beltsville facility for small grains. The cost investment of approximately $120,000 for upgrading the Beltsville facility postpones for 5-10 years the need for a much larger investment. The current estimates for establishing the small grains facility in Aberdeen is $2,500,000.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

TCK SMUT

Question: Please provide for the record research objectives that have been accomplished thus far in the TCK Smut Program and those objectives that remain.

Answer: The three major objectives of the ARS program on TCK Smut are development of wheat lines with resistance to TCK Smut, development of fungicide and fumigation protocols to kill active TCK spores, and development of information on the biology of organism and novel approaches to controls. Germplasm with resistance to TCK Smut was identified and incorporated into varietal releases. More than 20 treatments, including standard fumigants, were tested for ability to kill TCK spores, but only two showed potential, methyl bromide and gamma irradiation. Two senior Chinese scientists collaborated with

ARS personnel to develop improved techniques for identification of TCK spores and rapid methods for testing spore viability (i.e. alive or dead). These methods are now used in the U.S. and China. Naturally occurring chemicals that regulate critical stages of TCK fungal development were detected and are being characterized, e.g., mating hormones, sporogenesis hormones, and indogenous germination inhibitors. Analogs of these natural bioregulators should provide the means for control. Activity in all areas will continue.

Question: Last year, in response to a question from Senator Cochran, ARS mentioned that there was evidence of TCK Smut being endemic to China and that satellite photos were going to be examined to determine the existence of TCK Smut. Were those photos taken and what were the results of the examination of those photos?

Answer: The objective of the study of satellite photos of China was to determine if there were areas of wheat production in China with the early and persistant snowfall required for proliferation of the TCK Smut organism and the distance between such locations. A study of 16 years of satellite photos has been completed. The results, which will be published shortly, indicate that there are very few areas in China with the required environmental conditions and that these areas are widely separated in time and space. Thus, it is highly unlikely that TCK Smut is endemic in China or that the disease could spread into epidemic proportions.

Question: Has the People's Republic of China acknowledged the existence of TCK Smut in China?

Answer: No. The People's Republic of China has not acknowledged the existence of TCK Smut in China.

Question: Has the market objection to Pacific Northwest wheat been removed? What remains to be done to remove that objection?

Answer: No, the People's Republic of China continues to maintain a zero tolerance for TCK Smut in wheat. From a practical perspective it is highly unlikely that we can eradicate the disease in the U.S. We do have a scientific basis from which to argue that it is safe to import U.S. grain into southern mainland China.

Question: What is the potential export market for Pacific Northwest wheat should the objection be removed?

Answer: It is estimated that the potential export market for Pacific Northwest wheat would be 100 million bushels per year.

FELLOWSHIPS

Question: Last year I submitted several questions for the record regarding the need for graduate fellowships in response to reports concerning the current and projected shortage of scientists. I asked at that time whether ARS envisioned the Federal Government being involved in a program to recruit and support the education of persons for these positions. I also asked ARS to frame for me what the cost would be and where the program would be housed. ARS responded affirmatively with regard to the Federal role in this matter and stated that the program should be funded at $5 million and housed at ARS. The Senate Appropriations Committee complied with that recommendation in FY 84 and provided $5 million. However, no monies were requested in FY 85. Am I to understand by this request, that the need for new scientists no longer exists?

Answer: In FY 1984, the Department conducted two Higher Education grant programs - the $2.8 million Morrill-Nelson permanent appropriation, which provides $50,000 to every State and Territory and the $5 million Competitive Graduate Fellowships Grant program to attract future scientists and professionals to shortage areas in the food and agricultural sciences. Budgetary constraints have not permitted the Department to request funding for enrollment stimulation via graduate fellowships. The Department does, however, recognize the importance of stimulating the development of agricultural expertise. In addition, we believe that there are many methods available to the Department to assure an adequate supply of scientific and professional expertise in the food and agricultural sciences.

Question: If the need continues, why were the monies not requested in FY 85?

Answer: Separate funding exclusively for a Competitive Graduate Fellowships Grant program designed to attract students to particular disciplines is not proposed in FY 1985. However, based on previous experience, about one-quarter of the proposed $50 million funding level for CSRS Competitive Research Grants are likely to be used for support of research assistants.

In FY 1985, the Administration also proposes to replace the Morrill-Nelson program with a new $2 million program specifically to strengthen the historically black 1890 Colleges and Universities, Tuskegee Institute and the University of the District of Columbia.

AGE AND LOCATION OF SCIENTISTS

Question: Could you provide for the Committee a breakdown of the age and location of scientists in the Department, as well as the number of scientists that have retired over the past five years? In addition, could you provide a projection for future retirements?

ARS SCIENTISTS BY AGE GROUP AND LOCATION

Answer: Attached is a listing for Agricultural Research Service (ARS) scientists by location by age group. Aproximately 255 scientists have retired over the past five years. We estimate that 225-275 scientists will retire over the next five years. This is approximately 35 percent of the scientists who will be eligible to retire by 1988.

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
HEADQUARTERS									
NATIONAL PROGRAM STAFF	0	0	0	0	0	0	0	1	1
INTERNATIONAL ACTIVITIES	0	0	0	3	2	2	1	0	8
NORTHEASTERN REGION									
BELTSVILLE AGRICULTURAL RESEARCH CENTER	0	23	61	80	64	69	44	24	365
NATIONAL ARBORETUM (WASHINGTON, D.C.)	0	0	0	0	1	3	2	1	7
BELTSVILLE HUMAN NUTRITION RESEARCH CENTER	0	1	4	11	11	9	3	2	41
FAMILY ECONOMICS RESEARCH GROUP	0	0	3	2	0	0	0	0	5
UNIVERSITY PARK, PENNSYLVANIA	0	1	2	5	5	5	1	1	20
NEW BRUNSWICK, NEW JERSEY	0	0	0	0	1	1	0	1	3
ITHACA, NEW YORK	0	1	1	4	7	1	3	1	18
GENEVA, NEW YORK	0	0	0	1	0	1	0	1	3
ORONO, MAINE	0	0	0	0	1	1	1	0	3
OTIS AIR FORCE BASE, MASSACHUSETTS	0	0	0	0	2	0	0	0	2
FREDERICK, MARYLAND	0	1	2	1	3	3	3	1	14
GEORGETOWN, DELAWARE	0	0	1	0	1	0	1	1	4
NEWARK, DELAWARE	0	0	0	2	2	1	0	0	5
KEARNEYSVILLE, WEST VIRGINIA	0	3	5	1	3	5	0	0	17
BECKLEY, WEST VIRGINIA	0	3	1	4	0	0	1	0	9
EASTERN REGIONAL RESEARCH CENTER (WYNDMOOR, PA)	0	6	15	18	24	21	18	14	116
PLUM ISLAND ANIMAL DISEASE CENTER (ORIENT PT., N.Y.)	0	0	7	2	2	4	3	3	21

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
NORTH CENTRAL REGION									
WEST LAFAYETTE, INDIANA	0	2	1	4	4	2	3	0	16
VINCENNES, INDIANA	0	0	0	2	0	1	0	0	3
COLUMBUS, OHIO	0	0	0	0	1	0	0	0	1
COSHOCTON, OHIO	0	0	3	0	1	1	0	0	5
DELAWARE, OHIO	0	0	1	2	1	1	0	0	5
WOOSTER, OHIO	0	1	2	3	3	4	1	1	15
URBANA, ILLINOIS	0	1	5	3	7	3	6	0	25
NORTHERN REGIONAL RESEARCH CENTER (PEORIA, IL)	0	5	14	14	31	46	16	7	133
COLUMBIA, MISSOURI	0	1	7	5	8	6	6	1	34
ANKENY, IOWA	0	0	0	1	2	1	1	0	5
AMES, IOWA	1	1	2	4	2	2	6	0	18
CLAY CENTER, NEBRASKA	0	1	10	12	4	1	1	0	29
LINCOLN, NEBRASKA	1	0	7	3	7	4	4	2	28
MANHATTAN, KANSAS	0	1	4	10	7	5	3	2	32
NATIONAL ANIMAL DISEASE CENTER (AMES, IA)	0	7	8	8	15	9	13	4	64
ST. PAUL, MINNESOTA	0	2	5	4	4	3	3	0	21
MORRIS, MINNESOTA	0	1	1	4	3	1	0	0	10
EAST GRAND FORKS, MINNESOTA	0	0	1	1	2	1	0	0	5
MADISON, WISCONSIN	0	1	5	3	4	4	2	0	19
FARGO, NORTH DAKOTA	0	3	9	11	14	10	3	1	51
MANDAN, NORTH DAKOTA	0	0	2	7	1	3	3	0	16
BROOKINGS, SOUTH DAKOTA	0	0	1	1	6	1	0	0	9
EAST LANSING, MICHIGAN	0	1	2	4	8	3	3	1	22
GRAND FORKS HUMAN NUTRITION RESEARCH CENTER	0	0	3	5	1	2	0	0	11

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
WESTERN REGION									
FRESNO, CALIFORNIA	0	1	1	3	4	5	1	3	18
SHAFTER, CALIFORNIA	0	1	0	0	3	1	2	0	7
SALINAS, CALIFORNIA	0	0	2	1	3	3	1	0	10
DAVIS, CALIFORNIA	0	0	3	1	1	1	2	1	9
RIVERSIDE, CALIFORNIA	1	0	3	3	5	2	4	0	18
PASADENA, CALIFORNIA	0	2	0	0	2	3	2	1	10
HONOLULU, HAWAII	0	2	2	2	3	4	1	1	15
WESTERN REGIONAL RESEARCH CENTER (ALBANY, CA)	0	9	14	27	27	28	8	3	116
WESTERN HUMAN NUTRITION RESEARCH CENTER (SAN FRANCISCO, CA)	0	1	4	2	2	1	0	0	10
FORT COLLINS, COLORADO	0	4	3	8	6	12	4	2	39
DENVER, COLORADO	0	0	3	2	4	0	2	0	11
AKRON, COLORADO	0	2	2	0	1	1	0	0	6
CHEYENNE, WYOMING	0	0	2	1	0	0	0	0	3
LARAMIE, WYOMING	0	1	0	0	0	2	0	0	3
TUCSON, ARIZONA	0	1	3	4	4	7	3	0	22
PHOENIX, ARIZONA	0	4	2	7	6	10	5	1	35
LAS CRUCES, NEW MEXICO	0	1	2	2	2	3	1	0	11
RENO, NEVADA	0	0	2	0	1	2	1	0	6
LOGAN, UTAH	0	2	4	3	4	8	3	0	24
PULLMAN, WASHINGTON	0	2	4	2	9	7	3	0	27
WENATCHEE, WASHINGTON	0	0	1	1	1	3	3	0	9
YAKIMA, WASHINGTON	0	0	0	0	3	8	2	0	13
PROSSER, WASHINGTON	0	0	0	4	5	3	3	1	16
PENDLETON, OREGON	0	0	0	2	4	0	2	0	8
CORVALLIS, OREGON	0	0	1	2	2	3	7	0	15
BURNS, OREGON	0	1	1	0	0	0	0	0	2
BOISE, IDAHO	0	1	0	0	2	3	1	0	7

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
WESTERN REGION (Continued)									
DUBOIS, IDAHO	0	2	2	0	1	1	1	0	7
ABERDEEN, IDAHO	0	0	0	2	0	1	1	0	4
KIMBERLY, IDAHO	0	0	1	3	3	5	4	0	16
BOZEMAN, MONTANA	0	0	1	0	3	4	0	0	8
MILES CITY, MONTANA	0	0	2	2	2	1	1	1	9
PALMER, ALASKA	0	1	0	0	0	0	0	0	1
SOUTHERN REGION									
COLLEGE STATION, TEXAS	0	3	5	13	12	9	5	2	49
BEAUMONT, TEXAS	0	0	0	1	3	1	1	1	7
WESLACO, TEXAS	0	3	3	6	6	7	3	1	29
KERRVILLE, TEXAS	0	1	9	2	4	3	0	1	20
TEMPLE, TEXAS	0	1	3	6	4	4	2	0	20
BROWNWOOD, TEXAS	0	0	0	1	1	0	1	0	3
LUBBOCK, TEXAS	0	2	1	3	5	2	2	0	15
BUSHLAND, TEXAS	0	2	3	2	3	5	2	0	17
WOODWARD, OKLAHOMA	0	1	0	3	1	1	0	0	6
STILLWATER, OKLAHOMA	0	1	2	2	2	5	2	1	15
EL RENO, OKLAHOMA	0	4	4	2	1	0	0	0	11
DURANT, OKLAHOMA	0	0	3	2	4	4	1	0	14
STUTTGART, ARKANSAS	0	0	0	1	0	1	0	0	2
BOONEVILLE, ARKANSAS	0	0	1	1	0	2	0	0	4
TUXTLA GUTIERREZ, MEXICO	0	2	3	1	0	0	0	1	7
STONEVILLE, MISSISSIPPI	0	5	6	11	8	7	3	3	43
POPLARVILLE, MISSISSIPPI	0	0	0	1	1	0	0	0	2
MISSISSIPPI STATE, MISSISSIPPI	0	1	7	8	6	9	3	1	35
OXFORD, MISSISSIPPI	1	0	2	3	4	4	2	0	16

SOUTHERN REGION (Continued)

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
LAKE CHARLES, LOUISIANA	0	0	0	0	1	1	0	0	2
HOUMA, LOUISIANA	0	2	1	1	1	4	0	1	10
BATON ROUGE, LOUISIANA	0	1	2	4	3	1	0	1	12
AUBURN, ALABAMA	0	1	3	0	6	3	0	1	14
KNOXVILLE, TENNESSEE	0	0	1	3	0	0	1	0	5
LEWISBURG, TENNESSEE	0	0	0	0	0	1	0	0	1
JACKSON, TENNESSEE	0	1	0	0	0	0	0	0	1
LEXINGTON, KENTUCKY	0	1	1	0	0	2	3	1	8
SOUTHERN REGIONAL RESEARCH CENTER (NEW ORLEANS, LA)	0	3	7	15	19	28	19	7	98
TIFTON, GEORGIA	0	4	4	7	11	11	6	3	46
DAWSON, GEORGIA	0	0	1	2	3	1	1	0	8
SAVANNAH, GEORGIA	0	0	1	6	3	7	6	0	23
BYRON, GEORGIA	0	6	0	1	3	2	1	0	13
EXPERIMENT, GEORGIA	0	0	0	0	1	2	0	0	3
ATHENS, GEORGIA	0	3	9	14	14	17	4	1	62
WATKINSVILLE, GEORGIA	0	1	0	3	0	4	2	0	10
GAINESVILLE, FLORIDA	0	2	8	22	16	9	5	1	63
ORLANDO, FLORIDA	0	1	2	3	5	4	3	0	18
WINTER HAVEN, FLORIDA	0	0	0	2	3	6	1	0	12
LAKE ALFRED, FLORIDA	0	0	0	0	1	1	0	0	2
CANAL POINT, FLORIDA	0	0	0	2	1	0	1	0	4
BELLE GLADE, FLORIDA	0	0	1	0	0	1	0	0	2
FORT LAUDERDALE, FLORIDA	0	0	1	1	0	1	0	0	3
MIAMI, FLORIDA	0	1	0	0	0	1	4	0	6

	AGE GROUPS								
	21-26	27-32	33-38	39-44	45-50	51-56	57-62	63+	TOTAL
SOUTHERN REGION (Continued)									
MAYAGUEZ, PUERTO RICO	0	0	0	0	1	3	0	1	5
RIO PIEDRAS, PUERTO RICO	0	0	0	0	0	1	2	0	3
ST. CROIX, VIRGIN ISLANDS	0	0	0	1	0	0	0	0	1
RALEIGH, NORTH CAROLINA	0	6	5	7	5	4	4	1	32
OXFORD, NORTH CAROLINA	0	1	3	0	1	1	4	1	11
SUFFOLK, VIRGINIA	0	0	2	0	3	0	0	0	5
RICHMOND, VIRGINIA	0	0	0	0	0	0	1	1	2
CLEMSON, SOUTH CAROLINA	0	0	1	2	3	0	1	1	8
FLORENCE, SOUTH CAROLINA	0	3	1	3	3	5	0	0	15
CHARLESTON, SOUTH CAROLINA	0	1	0	5	1	5	2	0	14
TOTALS	4	169	366	502	551	562	321	116	2591

HOPS RESEARCH

Question: In 1983 there were discussions between the Oregon Congressional delegation and ARS regarding the phaseout of the hops research program. A letter was directed to me on June 15, 1983 with an enclosure detailing the phaseout of this program. Of particular concern to both the Oregon Congressional delegation and the Pacific Northwest hops growers was the continued participation in the research by Dr. Haunold. First of all, what is the current status of the hops research program, (i.e., functions being pursued, funding being provided, etc.)?

Answer: The ARS hops research program relates primarily to the development and release of new improved varieties. This program was initiated in 1931 and has been continuous since that time. The FY 84 level of funding at the appropriations level is $167,000.

Question: Secondly, what percentage of Dr. Haunold's time is currently being devoted to hops research?

Answer: Dr. Haunold, our hops geneticist, is now working full-time on hops research although earlier in the year he was only working half-time on hops.

Question: Thirdly, what research projects is Dr. Haunold currently engaged in?

Answer: Dr. Haunold is evaluating nine hop selections in 1-acre commercial trials, 118 additional numbered selections that show promise as new varieties, and about 3,000 plants in the breeding nursery. These evaluation studies will determine which individual clones will be released as new varieties.

Question: Lastly, as of October 1, 1984, what level of funding will be provided?

Answer: We estimate the appropriations level of funding will be $106,000 in FY 85.

Question: What functions will be pursued?

Answer: During FY 85, Dr. Haunold will continue the evaluation of hops seedlings and selections, provide plant material for brewing trials of the more promising selections, and cooperate with State agricultural experiment stations and industry on release of hops germplasm.

Question: How much of Dr. Haunold's time will be devoted to hops research?

Answer: Beginning October 1, 1984, Dr. Haunold will devote half-time to hops research.

CALICIVIRUS RESEARCH

Question: It is my understanding that a total of $210,000 was to be spent in FY 84 for calicivirus research. Of this total, $130,000 was to be spent at Plum Island Animal Disease Center for maintenance of diagnostic expertise and the development of a group serologic test to detect all or most calicivirus serotypes currently known to exist. In addition, a cooperative agreement was signed with Oregon State University to determine the pathogenicity of several marine mammal and fish isolates in domestic pigs.

What is the present status of this research and have the research objectives been accomplished?

Answer: The project at Oregon State University has been funded and is underway. The pathogenicity tests in swine are being initiated this calendar quarter. The objectives have not been accomplished, but work is progressing as scheduled.

Question: Is it the intention of ARS to renew the cooperative agreement with Oregon State University in FY 85? If so, for what amount?

Answer: Depending upon suitable progress in FY 84, it is the intent of ARS to fund the project again in FY 85. An additional funding of $80,000 is planned.

Question: If it is not the intention of ARS to renew this agreement, could you elaborate on the reasons for this decision?

Answer: ARS does intend to renew this agreement for an additional $80,000.

Question: Is there coordination between ARS and APHIS regarding the research being pursued and the objectives to be accomplished? If so, in what manner does this coordination take place?

Answer: Yes, there is coordination through discussions on program problems and research needs. ARS has kept APHIS staffs informed of the intent and progress of the research project at Oregon State University. Research priorities and needs are conveyed formally to ARS at least annually and informally as the need arises for program support.

Question: Do the agencies agree on the nature of the problem and the need to study the subject?

Answer: ARS and APHIS agree on the project as outlined in the current agreement with Oregon State University. APHIS expressed needs for research in caliciviruses, especially considering the potential for pathogenicity to swine in the United States. They agree that the studies should be done which are outlined for FY 84 and planned for FY 85.

Question: It has been suggested that there be additional studies on both epidemiology of calicivirus in potential livestock hosts and possible avenues of exposure in domestic livestock, as well as virus reservoirs and mechanisms of virus survival in nature.

Does ARS agree with this suggestion? Does APHIS? If not, why not?

Answer: APHIS has expressed to ARS only the need to characterize the pathogenicity of certain viral isolates in swine and to attempt to establish the natural transmissibility of the virus. The other studies on epidemiology and assessment of exposure would be interesting but, at this time, not a high priority.

Question: Are there considerations other than limitations due to budget constraints?

Answer: Yes, even if budgets were expanded, current assessment of economic importance would indicate that other research needs have a higher priority.

Question: Would these studies more properly be conducted by APHIS or ARS?

Answer: Based on historical responsibilities of action and research agencies, this additional work, if done, would be considered a mission of APHIS.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

EQUIPMENT - FY 1984

Question: The notes submitted with the fiscal year 1984 Budget estimated obligations of $23.5 million for equipment in that fiscal year, but the notes accompanying the FY 1985 Budget indicate $30.4 million will be spent on equipment in fiscal year 1984.

What accounts for this discrepancy? And for what is the additional equipment being purchased?

Answer: The increase of $6.9 million in estimated obligations for equipment in FY 1984 is not a discrepancy. It is associated with the funding levels authorized for FY 1984 in both the ARS mainhead Appropriation and the Buildings and Facilities Appropriation.

In 1984, Congress appropriated $27.7 million for planning and construction which was not budgeted. A portion of those funds will be used for equipment. In addition, Congress added funding for research programs above that amount requested. Some of those funds also will be used for equipment purchases.

GRANTS - ARS

Question: The FY 1984 notes also estimated $1,098,000 would be used to support grants, subsidies, and contributions, and yet the FY 1985 notes indicate $85.4 million will be spent for this purpose in FY 1984.

What specifically accounts for this change and what contribution would be discontinued in FY 1985 when obligations for this purpose would decline to $2.9 million?

Answer: The funds identified as grants in the FY 1985 notes represent: Grants for Construction Funds under Buildings and Facilities, $16.6 million; Morrill-Nelson Act Funds under Permanent Appropriation, $2.8 million; Post Graduate Fellowship Grants under Office of Higher Education, $5.0 million. These funds were not in the Budget request in 1984, they were added by the Congress in the 1984 appropriation.

The decrease in funds to a level of $2.9 million for FY 1985 is a combination of a decrease in non-recurring construction funds and discontinuance of the Morrill-Nelson Act and the Higher Education Fellowship Grants program.

COST LIMITATIONS - CONSTRUCTION OF FACILITIES

Question: The proposed bill language requests increases in the cost limitation on the construction of buildings.

What are the current plans for constructing new buildings, headhouses, and greenhouses in FY 1985? And at what location would these facilities be constructed or rehabilitated?

Answer: The funding for these type construction activities comes from annual appropriated funds. In the past, the absorption of increased pay act costs and other inflationary factors have directly affected the availability of funds for construction. When the funding situation for FY 1985 is known, we expect some plans to be developed for construction prior to the beginning of FY 1985, but to date no construction projects are planned.

REDIRECTIONS

Question: Are you considering any laboratory closings or major reductions of work level at any location in fiscal year 1985. If so, please descibe what is being proposed and the specific locations impacted.

Answer: No, we no not at this time have plans for any laboratory closings or major reductions of work level at any ARS location in 1985.

Question: Are you proposing any major redirection of research effort within the base research programs at any of the research locations? If so, please describe what work would be discontinued and what would be initiated at each location.

Answer: In accordance with established procedures, ARS plans to review current research projects to assess progress toward objectives and importance of problems being addressed relative to new research needs. We expect that some research effort will need to be redirected to higher piority problems. This evaluation process is now underway and specific redirection plans for 1985 have not been completed.

CEILING REDUCTION FOR FY 1985 - ARS

Question: The budget assumes a decrease in the ARS personnel staff ceiling by 100 full-time equivalent staff years.

What will the impact of this be on ARS' ability to continue its programs? Will any RIF actions be necessary to achieve this staffing level?

Answer: The management reorganization of ARS initiated in FY 1983 will be in place by the end of FY 1984. The 100 reduction in FTE as noted has been incorporated into the reorganization effort and will be achieved with little or no impact on our programs. The ARS reorganization effort has included RIF actions primarily in the administrative management area, with major reductions in the four Regional Offices; and in staff offices at the Headquarters level. No RIF actions are contemplated to be necessary to meet the further reduction of 100 FTE in FY 1985.

FEDERAL ADMINISTRATION - ARS

Question: Please provide the Committee with a detailed administrative budget for the Agricultural Research Service.

Answer: Provided is a detailed adminstrative budget for the Agricultural Research Service.
(The information follows:).

Agricultural Research Service
Federal Administration

	Funds Available FY 1982	Actual Obligations FY 1983	Current Estimate FY 1984	Budget Estimate FY 1985 3/
Office of the Administrator 1/	$ 2,815,220	$ 2,761,281	$ 2,668,000	$ 2,859,000
Information Staff	1,244,350	1,414,847	1,308,000	2,003,000
National Program Staff	4,645,300	5,056,988	3,667,000	3,912,000
Administrative Management 2/	13,590,145	11,751,137	12,499,000	15,747,000
Region/Area Management	20,931,294	19,513,356	19,630,000	12,299,000
Central Charges:				
GSA SLUC (Space)	854,000	- -	- -	- -
Federal Unemployment Compensation	335,563	347,904	212,400	212,400
Official Mail	1,961,182	1,244,473	1,321,600	1,321,600
Federal Telecommunication Systems	2,411,357	3,103,336	3,723,700	3,723,700
Automated Data Processing Services	55,566	613,789	317,300	317,300
National Finance Center	2,884,733	2,382,181	2,800,000	2,800,000
Property & Procurement Services	180,522	473,543	501,500	501,500
Printing & Reproduction Services	1,203,480	956,647	982,700	982,700
Film and Graphic Services	129,857	42,020	24,900	24,900
Other Personnel Activities	243,430	353,681	344,400	344,400
Other Miscellaneous Activities	2,257,806	377,884	424,500	424,500
Subtotal	12,517,496	9,895,458	10,653,000	10,653,000
Total Management Cost	55,743,805	50,393,067	50,425,000	47,473,000

1/ Immediate Office, Pesticide Coordination Staff, International Programs, Higher Education, Radiological Safety Staff, and Budget Staff.

2/ Deputy Administrator for Administrative Management, Personnel Division, Financial Management Division, General Services Division, Acquisition and Assistance Division and Communication and Data Services Division.

3/ Includes $1,487,400 Annualized Pay Cost authorized in FY 1984.

PUBLIC INFORMATION SUPPORT

Question: How many personnel does the Agricultural Research Service (ARS) have directly involved in public information work and what level of funding will be used to support them in FY 1984 and proposed for FY 1985?

Answer: The ARS has 48 FTE directly involved in public information work. All 48 are on the Information Staff in the Office of the Administrator, ARS. The FY 1984 budget for the Information Staff is $2,003,000, the same level is proposed for FY 1985.

REDUCTION OF POSITIONS IN GRADES GS/GM 11-15

Question: The budget assumes a phased reduction of positions in grades GS/GM 11-15. Please provide the Committee with a discussion of the impact this will have on your ability to hire and retain qualified researchers.

Answer: ARS plans to avoid the impact of the phased reduction of positions in grades GS/GM 11-15 by reducing the grades of positions in management and overhead functions. ARS plans to place major recruitment efforts for new scientists at the GS-11 and 12 levels, and while competition is intense for recent Ph.D. scientists and engineers, we feel we will be able to hire the needed number of qualified researchers. As long as the number of positions to be reduced is for the full range of the grades 11-15 rather than specific reductions for each grade, we feel we have adequate flexibility within those five GS/GM grades to promote and retain good scientists.

INTEGRATED AGRICULTURAL SYSTEMS

Question: The notes indicate that ARS requests an increase of $600,000 for the establishment and operation of experiments on integrated agricultural systems to validate models. Most of the increase requested will be used to employ systems analysts to set up field experiments.

Please describe further what models are being tested and what types of technology systems will be demonstrated.

Answer: The funds will be used to test and validate models such as the Nitrogen-Tillage-Residue Management (NTRM) model for field crop production in the Great Plains and Cornbelt regions. Emphasis will be on technologies needed for conservation tillage and integrated pest management systems. One-third of the funds will be used for adapting a variety of models and systems to production of horticultural crops to the special conditions of the South-Central part of the United States.

OVERSEAS RESEARCH

Question: The explanatory notes indicate a 32 percent increase in dollars to be expended in Sevres, France.

Please justify this increase and discuss the impact of the strong dollar in supporting research efforts overseas.

Answer: The funds will be used to strengthen productive programs in the biocontrol of insects of foreign origin. Specifically, research will be strengthened on the Heliothis species (corn earworm, cotton bollworm, tobacco budworm) which cause annual losses in the U.S. of over one billion dollars and Spodoptera species (fall army worm, beet army worm) which cause annual losses to grain and forage crops of over half a million dollars and prevent double cropping of corn on the Southeastern Coastal Plain and thus the development of large livestock feedlot operations. For similar economic reasons, the work on asparagus beetles will be emphasized. Perhaps the more immediate payoff will be in the work on filth breeding flies - house fly, stable fly, face fly, and horn fly - which cause well over one billion dollars in annual losses. In addition, vast quantities are spent on aerosol sprays and lotions to control these pests that transmit serious diseases of people and livestock.

As to the impact of the strong dollar, traditionally we have been forced to bail out the sagging budgets of the overseas laboratories because of the weak dollar; the new advent of the strong dollar, for the first time, has provided us with relief from the annual input of additional dollars to maintain a constant level of work at these locations.

Question: The notes also indicate that there will be a 53 percent increase in funding for activities in Rome, Italy.

What will this increase support?

Answer: As in the case of Sevres, the funds will be used to strengthen research in the biocontrol of weeds. The following programs are targeted:

Leafy spurge. This toxic, aggressive weed is a naturalized species infesting over 1.5 billion acres of range, pasture, and wild land, causing control and productivity losses in excess of $11 million annually, primarily throughout the North Central States. Alternative controls are unable to limit the spread of this weed.

Diffuse knapweed. This aggressive range, pasture, and wild land weed infests over 1.5 million acres in the Pacific Northwest, reducing the production of red meat and the quality of milk products.

Yellow starthistle. This annual weed infests over 3-5 million acres and continues to spread unabated throughout the Great Basin area. Its range extends from California north to Canada. The plant contains alkaloids which are toxic to horses and cattle.

Musk thistle. Over 5 million acres are infested throughout the northern tier of states (down to Kansas), resulting in reduced forage plant productivity.

The Rome laboratory efforts on each of these plants will be focused on those associated specific organisms of greatest control promise.

NATICK, MASSACHUSETTS

Question: The notes indicate a substantial increase in the level of activity at an ARS location in Natick, Mass. from FY83 to FY85.

Since this location was not even listed in the FY 1984 notes, please describe what work is conducted here and what accounts for the significant increase in activity at this location.

Answer: The wool research program formerly located at the Agricultural Research Service, Western Regional Research Center, Albany, California has been transferred to the U.S. Army Natick Research and Development Center, Natick, Massachusetts. The facility is presently being renovated to meet the specific needs of the program. Staffing of the facility is underway and when fully employed will consist of 3 scientists and appropriate support staff. Research will be directed toward improving the properties of wool and increased utilization.

IMPACT OF NEW LOCATION IN PORTLAND, OREGON

Question: The budget notes indicate the initiation of a new location in Portland, Oregon, with 19 staff years and a budget of $690,000.

What activity is planned for this location and will this increased staff be new hires or transferred from other locations? If they are to be transferred, what work is being discontinued and at what locations?

Answer: Portland, Oregon, is the location of the newly established Northwest Area Office as the result of the recent reorganization of the Agricultural Research Service. This included a significant consolidation of Area Offices. The 19 staff years pertain to the new Area Office, consisting of the Area Director, his immediate staff, and administrative support personnel. The staffing of the Northwest Area Office is being accomplished primarily through a transfer of personnel and vacancies from offices which were closed as a result of the reorganization. Since the Area Office performs solely program and administrative management functions, no geographical relocation of research occurred.

NON-USDA AGRICULTURAL RESEARCH

Question: Federal agricultural research is not solely funded through the Department of Agriculture. There has been concern expressed recently that funding for agricultural research outside of USDA has been increasing at a faster rate than USDA's support.

Please identify the best you can the other major Federal funding sources for agricultural research and indicate the funding level provided for these programs in fiscal year 1984 and what level of funding has been requested for them in fiscal year 1985.

Answer: The latest information available is as a result of a survey conducted in FY 1981. The following information was printed in the "Inventory of Research, Extension, and Higher Education Related to Food and Agriculture" in March, 1982:

Federal Food and Agricultural Research Programs Conducted by Departments or Agencies Other Than USDA

Department/Agencies	FY 1981 (Millions of dollars)
Agency for International Development	$108.7
Department of Commerce	72.5
Department of Defense	25.0
Department of Energy	36.5
Environmental Protection Agency	13.5
Department of Health and Human Services	193.8
Department of Interior	103.9
International Trade Commission	1.4
Department of Labor	2.6
National Aeronautics and Space Administration	25.0
National Science Foundation	24.5
Tennessee Valley Authority	19.5
Veterans Administration	2.6
Totals	$629.5

EXTRAMURAL RESEARCH

Question: We understand that in 1983 ARS used $51 million to fund extramural research projects. How much extramural research effort is proposed for fiscal year 1985? How much of this is a continuation of ongoing projects and how much has been set aside for new projects?

Answer: In 1985, ARS expects to expend somewhat less than the 1983 level of $51 million on extramural research projects, but the specific allocations have not yet been made. Extramural projects are selected on a case by case basis for the conduct of specific research needed to extend and support in-house programs for which we lack adequate personnel, specialized facilities, or other capabilities. We estimate that about 70 percent of the extramural funds will be used to continue ongoing projects and about 30 percent for new research needs that arise.

Question: In what scientific areas of research do you intend to make use of extramural funds for new projects in FY 1985?

Answer: ARS extramural projects will support the Agency's full program structure. This includes projects in soil and water conservation, plant productivity, animal productivity, post-harvest technology, human nutrition, and integration of agricultural systems.

FELLOWSHIP GRANTS

Question: The Users Advisory Board indicates that the fellowship grants program has previously been allocated for competitive training grants among the land-grant universities rather than among individual students.

Please describe the methodology used in distributing these funds to the States and whether the States award grants to students on a competitive basis or simply use the funds as general support funds for graduate student programs.

Answer: Guidelines for the administration of this grants program are currently in the Office of Management and Budget for clearance before publication in the Federal Register. While it is true that this is proposed to be an institutional competitive grants program, it is also intended that individual students will compete for fellowships at a given institution. Furthermore, the program is open to all institutions granting a master's or doctoral program in the targeted field (as identified in the Federal Register) for which they are seeking fellowship support. It is not limited to land-grant schools.

Universities administering the fellowship grants will provide periodic reports indicating the academic and professional progress of individual fellowship recipients. The USDA Office of Higher Education Programs will monitor the fellowships grant program. Institutions are further required to recruit a new graduate student not previously enrolled at the same degree level. This funding is intended not as student aid but as an investment strategy to bring outstanding new students into the food and agricultural sciences in critical shortage areas.

These are generally some of the proposed guidelines for the program. Since FY 1984 is the initial year of this program, we are unable to definitively state any conclusions on the operation of the program.

HUMAN NUTRITION

Question: The 1977 conference report on the Agriculture appropriations bill directed that a Board of Scientific Counselors external to USDA's human nutrition research centers be appointed to review and advise the Department as to the scope and quality of USDA's nutrition research program. Why has this directive not been carried out to date and when will the Department comply with that directive?

Answer: The Department considers the function of this Board to be very important and is in the process of selecting qualified members. The first meeting of the Board is planned for 1984.

QUESTIONS SUBMITTED BY SENATOR CHILES

MOLE CRICKET RESEARCH

Question: In the past years, the Agricultural Research Service has entered into cooperative agreements with the University of Florida to conduct research on mole crickets. The focus of this effort was to find, introduce and establish natural enemies of mole crickets. Now I understand there has been discussion within A.R.S. to discontinue this cooperative agreement.

Is it your opinion the mole cricket problem in Florida and the Southeast is at a point where no further research is required?

Answer: No, the mole cricket problem in the Southeastern U.S. has not yet been solved.

Question: Do you in fact plan to discontinue this agreement?

Answer: No, as the cooperative research agreement on mole crickets with the University of Florida has been very productive, ARS plans to continue the cooperative agreement through 1985.

HIGHER EDUCATION

Question: Has USDA, as the lead agency under Title XIV of the National Agricultural Research, Extension and Teaching Policy Act of 1977 and the Agriculture and Food Act of 1981, delineated its mission and long term goals related to higher education in the food and agriculture sciences? Has a long-term plan been established?

Answer: The Agriculture and Food Act of 1981 designates the Department of Agriculture as the lead agency of the Federal Government for "agricultural research, extension, and teaching in the food and agricultural sciences." The Act assigns responsibility to the Secretary of Agriculture for coordinating all teaching activities financed or conducted by the Department of Agriculture and to the extent practicable, by other agencies of the Executive Branch. Pursuant to responsibilities assigned in the Act, the Department has recently completed a long-term needs assessment for food, fiber, and forest products and a determination of the role of the Science and Education community in meeting the identified needs. Additionally, the Department is in the process of developing a five-year plan and annual priorities for activities in research, extension and teaching.

Question: What organization structure has USDA provided to ensure support and continuity for the Office of Higher Education and to provide representation for teaching on par with research and extension?

Answer: The Department has delegated its responsibility for teaching activities to the office of Higher Education Programs in the Agricultural Research Service. This office currently coordinates its activities with both the land-grant and nonland-grant resident instruction programs in colleges of agriculture, forestry, veterinary medicine, and home economics. We are currently considering transferring these higher education functions to the Office of Grants and Program Systems (OGPS). Within the office we would establish the USDA Office of Higher Education. This move would be consistent with efforts to place research, extension or education programs which have a system-wide impact in the OGPS. We do believe the teaching community should have input equal to research and extension.

Question: How have representatives of higher education been involved in the developing of USDA policy directed toward strengthening teaching programs in the food and agricultural sciences?

Answer: Our Office of Higher Education Programs routinely meets and jointly plans activities with both land-grant and nonland-grant representatives at their regional and national meetings. Additionally, the office meets regularly with numerous agriculture, forestry, veterinary medicine and home economics committees and task forces to discuss programs, policies and priorities. Also, the office has a number of on-going joint activities funded through cooperative agreements with teaching cooperators for strengthening agricultural higher education in the areas of curriculum revitalization, faculty development, student recruitment and development of a national computerized Food and Agricultural Education Information System (FAEIS).

DIAPREPES AND LESSER CORNSTALK BORER

Question: Over the past few years, A.R.S. has cooperated with research on Diaprepes and the lesser cornstalk borer. According to researchers in the field, this assistance has been of immense value. It appears, however, that in particular regard to Diaprepes, the problem seems to be growing worse. At the present time, some 50 to 60 thousand acres of citrus are affected by Diaprepes in Florida. This is approximately double the acreage in 1982.

Do you anticipate continuation of Diaprepes extramural agreements with the University of Florida in view of the spread of this infestation?

Answer: No. The cooperative agreement was terminated in 1983 because the scientist conducting this research completed his studies and left the University of Florida. The ARS in-house research program to develop the means to control Diaprepes will continue at Orlando.

Question: Do you anticipate continuation of extramural agreements regarding the lesser cornstalk borer?

Answer: Yes. ARS plans to continue this research through 1985.

EXPERTISE SHORTAGES

Question: The USDA has identified that a human expertise shortage exists in food and agriculture and the Joint Council listed this shortage as a high priority area to be addressed: In what discipline do these shortages exist?

Answer: The most serious shortages are in agricultural engineering, plant and animal molecular genetics, soil and water sciences, food science, human nutrition, animal reproduction, agricultural economics, and animal health.

Question: How does the proposed 1985 USDA budget address these shortages?

Answer: While the overall higher education budget is reduced indirect support for higher education shows up in the President's budget within many research programs. For example, support is provided through the Hatch Act, the McIntire-Stennis Act and the Evans-Allan Act programs and is a major component within the Competitive Grants programs, including the new initiatives in animal science and biotechnology. Historically, about one-quarter of competitive grants funds have gone directly to hire graduate or postgraduate research assistants. This would result in over $12 million for research assistants at the FY 1985 requested level for Competitive Grants. We also believe that the new $2 million higher education grant program proposed for the 1890 institutions, Tuskegee and the University of the District of Columbia will strengthen teaching programs at these historically black institutions, enabling them to develop a teaching program commensurable with their research and extension programs. These institutions have received about $700,000 of the $2.8 million Morrill-Nelson permanent appropriation. We believe the proposed 1890 higher education grants represent a more effective use of Federal funds.

Question: Does it address all areas or just indirectly address biotechnology expertise development?

Answer: The proposed 1985 budget will include a significant amount of funding that we expect will strengthen institutions and help support graduate study. The Competitive Research Grants program will emphasize basic research critical to food production and human nutrition. This would include studies relating to plant science research, human nutrition research, a new initiative in basic biotechnology research in plant and animal sciences, and a new program in basic animal science research. Additionally, we are initiating a new grant program for the 18 historically black land-grant colleges and universities. The recipient institutions can use the funds to strengthen the quality of food and agricultural science academic programs and to strengthen student recruitment programs. We believe that these programs will assist in attracting and preparing outstanding students for careers as food and agricultural scientists and professionals.

Question: With increasing human expertise shortages in food and agriculture, why has Federal support recommended by USDA undergone marked reductions while other areas have experienced increases considering the basic importance of adequately trained personnel in Federal research efforts, State research, teaching and extension programs as well as in industry?

Answer: Federal funding constraints will not permit the initiation of major new programs at this time. The $5 million provided for competitive fellowship grants on FY 1984 will give us valuable experience in running this type of program and determining its effectiveness relative to indirect support for higher education through research grants. The Administration favors emphasis on research grants to attract students to shortage areas at this time of very tight budgets. The Budget provides for a significant increase for competitive biotechnology grants in FY 1985.

HIGHER EDUCATION

Question: What specific budgetary and other action has the USDA initiated to implement Title XIV of the Agriculture and Food Acts of 1977 and 1981 as they relate to higher education?

Answer: While we have not requested funding specifically for those activities outlined under the general area of higher education, we do recognize the importance of maintaining and strengthening the ability of our agricultural colleges to develop the requisite human expertise for a modern high technology agriculture. We believe that there are many methods available to the Department to assure that there is an adequate supply of scientific and professional expertise in the food and agricultural sciences. Support is provided through the Hatch Act, the McIntire-Stennis Act and the Evans-Allan Act programs and is a major component within the competitive grants program, including the new initiatives in animal science and biotechnology. Recent data indicate that about one-quarter of competitive research grant funds are directly used to hire graduate and post-graduate students to assist in the research. We estimate that over $12 million of the proposed Competitive Research Grant funding level would be used to support higher education objectives.

SOUND DETECTION OF CARIBBEAN FRUIT FLIES

Question: I had previously contacted ARS regarding research on the detection of Caribbean fruit fly larva using sound/sonar devices. As you know, the detection of this pest is very important to the Florida citrus industry.

I would like to know what in-house work is being done on this by ARS and what kind of attention it will receive in the future.

Answer: ARS is working on the development, evaluation and modification of a sound/sonar instrument that will detect insect larvae in fruit. It is now possible to detect all larval stages of the Caribbean fruit fly in grapefruit, with the exception of early- and mid-first instar larvae. Therefore, research efforts are being concentrated on improving instrument sensitivity.

Question: Do you believe it is feasible to develop such a device so as to be commercially available in the near future?

Answer: Based on research results to date it appears that we will have the research information needed for commercial development of the sonar device within the next two years.

Question: What research, if any, is being conducted on attractants for the Caribbean fruit fly?

Answer: Our research has been limited to collecting volatile components from male Caribbean fruit flies for laboratory and field behavioral/response studies. The University of Florida has been working on the isolation, identification, and synthesis of the attractants for the Caribbean fruit fly for about 14 years and has isolated some compounds.

Question: Doesn't this hold some promise as a method of dealing with the Caribbean fruit fly problem?

Answer: Yes, there is a need for an improved attractant to monitor the Caribbean fruit fly population for surveys, eradication programs, and to implement the "fly-free" concept which precludes the need for quarantine treatment.

COOPERATIVE STATE RESEARCH SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

BIOTECHNOLOGY

Question: Dr. Jordan, you stated that the complexity of this undertaking means that a long-term commitment is needed and that only the Federal Government can assure that this commitment is made. Do you have some assurances that the Federal Government will make this commitment this year and in the future? It appears to me that this is dependent on several factors -- state of the economy; fiscal constraints; politics; etc.

Answer: We are making every effort within the Federal government structure to assure that this is a long term commitment. Further, the Biotechnology Committee of the land-grant system has made a similar commitment, and indeed this system has already committed resources on the basis of it being a long term endeavor. The very fact that the National Association of State Universities and Land-Grant Colleges established a committee specifically for biotechnology is evidence of the commitment being made on behalf of this nation. It is our policy in CSRS that it is a long term commitment. I believe ARS' long range plan indicates a similar commitment. Certainly the state of the economy broadly and other fiscal considerations will have a bearing on the degree to which we are successful in fulfilling this commitment.

Question: I understand that the private sector has many biotechnology initiatives. Why then should we fund an initiative with Federal dollars?

Answer: The private sector does have substantial biotechnology initiatives and is pursuing those areas that will have the quickest profit payoff. There is a tremendous amount of very complex, long term, basic biotechnology research to be conducted without a clear prospect of profit for industry. The very character of the public sector research is to conduct those investigations that provide basic new knowledge, techniques, and expertise which in turn will be available to the talents of industry. New and exciting public and private cooperative ventures are being developed at this time by the Biotechnology Committee and CSRS, which we believe will stimulate and substantially advance the entire biotechnology initiative in this nation.

Question: If we fund this program, what results can we expect and how soon can we expect some results?

Answer: There will be a number of levels of results to be expected from this program, covering a range of time frames. In the general area of diagnostics for plant and animal systems, we are obtaining some results now. This initiative will expand and strengthen research in this area. Vaccines, hormones, auxins, and related "clinicals", as well as growth additives and selected bioregulants, can be predicted within the decade with some substantial basis for achievement. Similarly, research results that include techniques and research commodities to be used in developmental research studies, will also emerge during this period.

Question: Why did you choose to initiate this effort under the competitive grants program and not under the special grants program?

Answer: The authorizing language for Competitive Research Grants specifies basic research as one of the priority areas to be addressed. It also specifies eligibility to the full range of potential scientific capability, including Federal agencies and private organizations which are not eligible under Special Research Grants. The program of research to be initiated is well defined, and progress and results will be reported to you on a continuing basis. It is inherently a basic research program in which results will be useable in the broad array of ongoing agricultural programs.

Question: Do we not have the necessary expertise or talent in our agricultural scientific community to meet this challenge?

Answer: We have the essential expertise to begin this initiative at this time, and will through the initiative itself increase our level of expertise. We are more concerned at this time that the initiative be brought forward to establish the needs for expertise in this nation, and stimulate further training of personnel for both the public and private sector. This is, in our view, essential if we are to provide the benefits of new high technology to our nation.

Question: Can you estimate what part of this initiative will end up being done by scientists within the land-grant system?

Answer: If our experience in the past is used as a guide, combined with our estimates of current capabilities, existing expertise, and supportive research and education infrastructure, we estimate that 60 percent or more of this initiative will be undertaken within the land-grant system.

Question: Are other Federal agencies (within USDA and outside USDA) involved in biotech research? To what extent?

Answer: Biotechnological research is an aggregate of chemical and biological tools applied to a broad base of problems. This fast evolving field is finding applications in a great number of biological research problems which are being addressed by all Federal agencies that have responsibility for biological research. The NIH, NSF, DoE, DoD, as well as USDA, are applying these technologies. The development of biotechnology for the solution of agricultural problems is predominantly conducted by USDA--in part by ARS and in part by the State agricultural experiment stations through CSRS.

There are a number of studies at this time that have varying estimates as to funding being invested in this subject area. It is the general opinion that in order for biotechnology to have long-range impacts on agriculture there must be significant up-front investment into the fundamental biology and chemistry of this research for agriculture.

Question: What is the amount of the total effort in USDA for biotechnology?

Answer: Currently the effort in USDA is as follows:

Biotechnology Research
($000)

	FY 1983	FY 1984	FY 1985
Agricultural Research Service.. ...	$13,800	$14,350	$16,100
Cooperative State Research Service*	19,861	20,049	50,955
Forest Service	410	1,140	1,000
Office of International Cooperation and Development	631	683	832
Total	34,702	36,222	68,887

* In addition, in a recent survey approximately $16 million of State funding and $5 million private funding is expended for biotechnological research in the State agricultural experiment stations.

Question: I have been told that before biotechnology can become effective, we must increase our germplasm research. Do you agree with that? If so, why have you not requested additional funds for germplasm research?

Answer: The biotechnology initiative we have proposed to you is not dependent upon germplasm or other areas of research _per se_. In our view the biotechnology initiative is essential to provide new knowledge and techniques for a wide range of plant and animal research efforts, including those involving germplasm research. The application of biotechnology to the improvement of agriculturally important germplasm will in part draw upon the existing available germplasm. It will be necessary to maintain our current germplasm resources and to have adequate identification and characterization of that germplasm for biotechnology to best exploit its potential.

Both ARS and CSRS have considerable ongoing germplasm work. We are in the process of assessing more precisely the need for increased germplasm effort in view of the rapidly developing biotechnologies. ARS and CSRS are considering the need for an increase in the National Plant Germplasm System programs in developing the budget proposals for fiscal year 1986. It is intended that any increase would provide the proper balance for biotechnological and germplasm research to proceed in concert.

Question: Has thought been given to having an outside group review and advise the Office of Grants and Program Systems on the applications that are submitted?

Answer: Yes, both thought and action have been taken to meet these kinds of needs and we consider this independent oversight to be very important. There has been in operation for several years both a Policy Advisory Committee and a Technical Advisory Committee, providing in both instances not only oversight but also programmatic concepts and technical assessments for the program.

Question: The Users Advisory Board has stated that the USDA appropriation for competitive grants for biotechnology "must be set at $75 million or more in 1985." What is your reaction to the position taken by the Board?

Answer: This recommendation by the UAB is in line with the recommendations of the Biotechnology Committee of the land-grant system. In the interest of keeping Federal spending within certain limits, we feel the requested $28.5 million for a biotechnology initiative in FY 1985 will permit us to launch a necessary and significant USDA effort in this area of research.

Question: Is there a possibility that biotechnology studies under the competitive grant program will duplicate current USDA-funded biotechnology research? Will any of the current programs be redirected or eliminated?

Answer: The prevention of duplication of research wherein it is conducted to take advantage of independent initiative and a range of specialization of expertise, facilities, and instrumentation, requires continual review and assessment of ongoing efforts in this country and abroad. Within the USDA/SAES system there are project review committees within each institution involved, followed by review within the USDA. Proposals submitted for this initiative must include evidence of thorough review and knowledge of relevant, ongoing research. A very extensive review process occurs within the scientific system in which, through meetings, workshops, symposia, and colloquia, review and assessment of progress of research are made. Thus, in this process, deliberate planning to avoid potential duplication is initiated and implemented.

Many existing programs are being redirected by scientists to direct their talents and facilities toward efforts in biotechnology. This is an ongoing process, such that as new opportunities for redirection occur, these will be undertaken with minimal delay. Each year there are many projects/programs that are discontinued for various reasons, i.e. the problems or questions being asked now have a satisfactory answer, approaches used appear unproductive, the problem may be more readily approached via another route, or the question has become moot. This too is part of an ongoing evaluation process, both by scientists and administration.

Question: Will your review system make sure that there will not be a duplication of the biotech research that is already being done?

Answer: Through the scientific review and administrative processes we have described, we believe that unnecessary duplication of biotechnology research underway will not occur. Here again, this is a continuing process of review and oversight, and must be maintained on such a basis if duplication is continually to be avoided. After all, some of the emerging fronts of knowledge change rapidly, and in general in an uneven fashion, requiring continuous updating of scientific events.

MCINTIRE-STENNIS

Question: You are requesting a small decrease in the level of funding (-$250,000) for cooperative forestry research for fiscal year 1985. What impact will this have on this important research?

Answer: The State agricultural experiment stations and forestry schools have maximum flexibility under this program to tailor research according to specific needs and can continue to fund research in those areas that they identify as highest priority. State research institutions conduct forestry research under other authorizations which provide opportunity to respond to State, regional and national priorities as appropriate and ongoing Federal and State forestry research efforts will also continue under these authorizations.

HATCH FORMULA FUNDS

Question: Your request for Fiscal Year 1985 for Hatch formula funds is only slightly more ($3 million) than 1984. In the Farm Bill, formula funds to the State agricultural experiment station were to be 25 percent of the USDA's total research funds for agriculture starting October 1, 1983. Can you explain why you have made no effort the past two years to implement this adjustment? What was USDA's request to OMB for Hatch formula funds?

Answer: The Administration supports as a long term goal the provision in the Farm Bill that the Hatch Act be funded at a level not less than 25 percent of the total funding for ARS and most CSRS programs, but did not recommend that Congress appropriate the full 25 percent in fiscal years 1984 or 1985. Competing needs of other worthwhile programs must be given consideration. USDA's request to OMB for Hatch Act funds was $161,281,000 in fiscal year 1985.

Question: I understand that the $3 million increase in Hatch formula funds is for biotechnology research. Will you please advise how this research will differ from that provided under competitive grants?

Answer: The $3 million increase for biotechnology research proposed for payments to the State agricultural experiment stations under the formula provisions of the Hatch Act will strengthen the biotechnology research program in the States while complementing the initiative proposed in the Competitive Research Grants. Research funded under both programs as well as that carried out by the Agricultural Research Service will focus the outstanding expertise of the entire research system on biotechnology research which holds great promise for the future of agriculture.

SPECIAL RESEARCH GRANTS

Question: You have requested a decrease of $11 million for special research grants. This decrease would terminate funding in several specific areas. And since there is only a small increase in Hatch formula funds, it is obvious the States' allotments will decrease. Does this mean that there will be no research conducted in these special areas?

Answer: The Special Research Grants funds have been used for emphasis on critical problems. Grants awarded from fiscal year 1984 funds will be available to complete the objectives over a period of up to five years as outlined in the funded proposals. The State research directors will evaluate future research needs and make program adjustments accordingly.

Question: What impact would these changes have on the scientists or researchers in the locations where this special research is conducted? Would we be faced with another series of redirections or closings?

Answer: We do not anticipate any closings of research locations as these Special Research Grants are completed.

Question: What type of support do you have from the research community for these proposed changes? Comments made to me have been along the lines of ..."we support the biotechnology initiatives under competitive grants but not at the expense of our special grants." Please comment.

Answer: We have developed the biotechnology initiative with a very broad base of support, both from within the agricultural research system and from the broader scientific community. We are satisfied that the proposal is sound and that it offers potential for very high returns to agriculture. The decisions on Special Research Grant categories were not the result of a trade off with the new initiative. The biotechnology initiative is proposed as an added program.

Question: Please provide for the record a listing of all the special research grants, including Alcohol Fuels and Native Latex, that will be decreased or eliminated and indicate what the impact of the change will be for each.

Answer: In all cases the funds authorized for these areas in fiscal year 1984 will be made available for up to five years to complete the research outlined in the approved grant proposals. The individual State directors will evaluate the research in each case and plan future programs accordingly.

Special Research Grants, including Alcohol Fuels and Native Latex, that are proposed for decrease are as follows:

	FY 1984 Appropriation Act
Soil erosion in Pacific Northwest	$622,000
Dried bean research, North Dakota	25,000
Food and agriculture policies	156,000
Soybean Research	518,000
Integrated pest management	3,091,000
Rural development centers	311,000
Soybean cyst nematode, Missouri	300,000
Bean and beet research, Michigan	97,000
Aquaculture, Stoneville, Mississippi	270,000
Dairy and beef photoperiod, Michigan	35,000
Bean flour research, Texas/Michigan	80,000
Aquaculture research	518,000
Peach tree short life, South Carolina	192,000
Blueberry shoestring virus, Michigan	96,000
Mosquito research, riceland agroecosystem	480,000
TCK smut (wheat)	361,000
Sunflower insects, North Dakota	150,000
Dairy goat research, Prairie View A&M, Texas	100,000
Sugarland use research, Hawaii	150,000
Integrated production systems, Oklahoma	200,000

	FY 1984 Appropriation Act
Horticultural studies, Poteau, Oklahoma	$50,000
Potato research, Eastern/Western	400,000
Biomass energy research, Oregon	800,000
Asparagus yield declines, Michigan	100,000
Biocontrol of grasshoppers, Kansas	50,000
Wool research, Texas	150,000
Agricultural Policy Institute, Missouri	450,000
	9,752,000
Alcohol fuels research (Section 1419, PL 95-113)	540,000
Native Latex Act (PL 95-592).	702,000

(CLERK'S NOTE: The numbers above were appropriated for fiscal year 1984. Due to the nature of special grants, the amounts above will be available for up to 5 years; therefore, the programs are not actually being terminated. However, there is no request for fiscal year 1985 funds for any new grants in the categories listed above.

Funding for all special grant categories not listed above is being requested at the fiscal year 1984 level.)

COMPETITIVE RESEARCH GRANTS

Question: The competitive grants program for agricultural research is relatively new, having been established by the 1977 Farm Bill, and was funded at about $17 million for fiscal year 1983. Several groups, including the National Research and Extension Users Advisory Board, have recommended increased funding for this program, and questions have been raised as to whether the program can achieve much at current funding levels. How effective is this program?

Answer: Current levels of funding of the Competitive Research Grants program for agricultural research have given us a very effective program. Within the funding available to the program, we have been able to award highly competitive research grants in the areas of biological nitrogen fixation, biological stress on plants, genetic mechanisms for crop improvement, photosynthesis and human nutrition. With the prospect of additional funds, there is now a great deal of interest in research in the plant sciences. The program has been able to focus the attention of the research community on plant and human nutrition problems. Some significant breakthroughs have been accomplished in understanding the molecular structure of the corn chloroplast and isolation of one of the genes controlling nitrogen fixation in a nitrogen-fixing bacteria. Further, a method has been developed to study metabolism of trace minerals--zinc, chromium and selenium--in infants. The Department of Agriculture has a unique opportunity to capitalize on the new techniques being developed with Competitive Research Grant funds.

Question: Are the current funding levels adequate?

Answer Significant accomplishments have been made in the Competitive Research Grants program currently funded at $15 million for the plant sciences (photosynthesis,biological stress, nitrogen fixation, and genetic mechanisms) and $2 million for human nutrition, even though many proposals rated good to excellent must go unfunded. We do not find that it is possible to undertake the work involved in the new biotechnology initiative without additional funding. The need in this area is sufficiently great that new funding is required.

Question: How would additional funds be used?

Answer: The fiscal year 1985 budget proposes an increase of $33 million for Competitive Research Grants. A new initiative in biotechnology research, funded at $28.5 million, is needed to retain America's scientific and technological leadership in agriculture. When adopted this program will insure that we use molecular biology and associated disciplines to maximum advantage in our agricultural sciences, increase our national security, retain our nation's competitive advantage relative to other nations, and sustain the major role of U.S. food and agriculture in international trade.

This initiative will have program areas that will develop the basic knowledge needed for new biotechnologies of special importance to agriculture. Major themes will be: (1) Structure, function, and organization of plant and animal genomes, (2) Transfer, expression, and regulation of genes and gene complexes, and (3) Gene-based control of growth, development and resistance to stress.

This program will cover both plants and animals and lead to a thorough understanding of the basic principles of their genetics, metabolic control, and developmental biology. It will complement existing funding programs in the USDA, NSF, and NIH, and be designed to enhance interaction among the program areas and among scientists. All funds will be allocated solely on a competitive basis, with all applications being peer-reviewed, and with all scientists in the public sector and at private universities being eligible to apply. Grants of sufficient size and duration will be provided so that a significant set of objectives can be accomplished.

An increase of $4,500,000 will allow a new animal science program area to be initiated. The inclusion of animal science will broaden the range of research covered by the Competitive Research Grants program and increase the impact of the program. Research will be supported on basic physiological mechanisms involved in animal reproduction to identify processes influencing reproductive efficiency. These areas include problems in the understanding of the mechanics and chemistry of gametogenesis and gamete physiology, the genetic basis for reproductive efficiency, problems concerned with fertilization, and an understanding of the hormonal mechanisms involved in these processes.

Question: You have requested an increase of $33 million for competitive research grants ($28.5 of this is for biotechnology). What will the other $4.5 million be used for?

Answer: The $4.5 million increase is proposed to provide for animal science research within the Competitive Research Grants program.

Question: What percentage of the competitive research grants go to the traditional agricultural research institutions; to non-land grant institutions; to private institutions? Do you have this information broken out by the areas of competitive grants--plant science, human nutrition?

Answer: The following tables provide this information.

Plant Science Research

	Grants %	Grants Awarded	Dollars Awarded
Land-Grant Universities	65	129	$9,540,830
SAES	(49)	(97)	(6,967,930)
Non-SAES	(16)	(32)	(2,572,900)
Private Universities	15	29	2,096,370
Other Public Universities	8	16	1,286,700
USDA/ARS	4	8	642,500
Private Non-Profit	8	15	954,500
State and Local Agencies	--	--	--
TOTAL	100	197	14,520,900

Human Nutrition Research

	Grants %	Grants Awarded	Dollars Awarded
Land-Grant Universities	78	17	$1,558,120
SAES	(55)	(12)	(1,188,120)
Non-SAES	(23)	(5)	(370,000)
Private Universities	14	3	240,000
Other Public Universities	--	--	--
USDA/ARS	--	--	--
Private Non-Profit	4	1	70,000
State and Local Agencies	4	1	68,000
TOTAL	100	22	1,936,120

Question: Please provide for the record a listing of the competitive grants awarded last year -- to whom, location, areas of research, and amount of grant.

Answer: We will provide a list of Competitive Research Grants awarded in fiscal year 1983.

[The information follows:]

COMPETITIVE RESEARCH GRANTS AWARDED FOR FISCAL YEAR 1983--PROGRAM AREA: NITROGEN FIXATION

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Univ. of Arizona Tucson, Arizona 85721	^{95}Mo NMR as a Probe of Molybdenum Centers	John H. Enemark	$60,000	09/01/81	08/31/84
Univ. of California Berkeley, California 94720	Iron Assimilation in Nitrogen Fixing Bacteria	John B. Neilands	$74,292	09/01/83	08/31/85
Univ. of California Davis, California 95616	Host Legume Effects on Hydrogen Evolution by *Rhizobium*	Donald A. Phillips	$80,000	09/01/83	08/31/85
Univ. of California Davis, California 95616	Nitrogen Metabolism and Heterocyst Differentiation in Symbiotic Cyanobacteria	John C. Meeks	$102,000	08/01/83	07/31/85
Univ. of California Davis, California 95616	Physiological Genetics of Denitrification: A Route to Conserving Fixed Nitrogen	John L. Ingraham	$56,000	07/01/81	06/30/84

Univ. of California Riverside, California 92521	Localization and Synthesis of Two Soybean Nodule Enzymes Involved in Ureide Production	Eric W. Triplett	$80,000	09/01/83	08/31/85
Univ. of Connecticut Storrs, Connecticut 06268	Physiology of Nitrogen Fixation in Actinorhizal Root Nodules	David R. Benson	$80,000	07/01/81	06/30/85
Univ. of Florida Gainesville, Florida 32611	Developmental Biology of Nitrogen Fixation in Casuarina Root Nodules	Henry C. Aldrich	$80,000	09/15/83	09/30/85
Southern Illinois Univ. Carbondale, Illinois 62901	Nitrogen Metabolism and N_2 Fixation in Photosynthetic Green Bacteria	Michael T. Madigan	$80,000	09/01/83	08/31/85
NCR, ARS, S&E, USDA 2000 West Pioneer Parkway Peoria, Illinois 61615	Regulation of Plant-Bacterial Interactions During Legume Root Nodule Formation	Carroll P. Vance	$45,000	08/01/83	07/31/84
Purdue Research Foundation West Lafayette, Indiana 47907	Three-dimensional Structure of Nitrogenase	Michael G. Rossmann	$115,000	08/01/83	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Kansas State Univ. Manhattan, Kansas 66506	Nucleotide Specificity, pH and Temperature Responses of Rhizobium Nitrogenase	Lawrence C. Davis	$70,000	08/01/83	07/31/85
Northeastern Univ. Boston, Massachusetts 02115	Motility and Chemotaxis in *Rhizobium meliloti*	Kostia Bergman	$55,000	08/01/83	07/31/84
Harvard College Cambridge, Massachusetts 02138	Sporulation by *Frankia* Related to Nodulation and N_2-Fixation in Actinorhizal Plants	John G. Torrey	$90,000	08/01/83	07/31/85
Massachusetts Institute of Technology Cambridge, Massachusetts 02139	Biochemical and Genetic Approaches to the Characterization of *nif* Gene Products	W. H. Orme-Johnson	$85,000	08/01/81	07/31/84
Michigan State Univ. East Lansing, Michigan 48824	Genetic Regulation of the *Rhizobium*/Legume Symbiosis	Barry K. Chelm	$76,000	08/01/83	07/31/85

Michigan State Univ. East Lansing, Michigan 48824	The Pathway of Microbial Denitrification	James M. Tiedje	$105,000	09/01/83	08/31/85
Michigan State Univ. East Lansing, Michigan 48824	Lectin Receptors and Cytoskeletal Proteins in Soybean Cells	John L. Wang	$85,000	09/01/83	08/31/85
Univ. of Minnesota St. Paul, Minnesota 55104	Magnetic Susceptibility Studies of Nitrogenase	Edmund P. Day	$85,000	08/01/83	07/31/85
Univ. of Minnesota St. Paul, Minnesota 55104	Competitive Attributes of *Rhizobium japonicum* 123, a Successful Indigenous Strain	Edwin L. Schmidt	$45,000	07/01/81	06/30/84
Univ. of Missouri Columbia, Missouri 65211	Ureide Synthesis and Utilization in Soybeans	Dale G. Blevins	$130,000	07/15/81	07/31/85
Univ. of Missouri Kansas City, Missouri 64110	Transcription During Heterocyst Development in Cyanobacteria	R. L. Hirschberg	$100,000	08/01/83	07/31/85
Washington Univ. St. Louis, Missouri 63130	Natural ^{15}N Enrichment of Nodules as Indicator of Assimilatory Path of Fixed Nitrogen	D. H. Kohl	$110,000	08/01/81	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Agric. Expt. Station Univ. of Nebraska Lincoln, Nebraska 68583	Soybean Nodule Senescence	Fred W. Wagner	$85,000	08/01/83	07/31/85
Research Foundation of State Univ. of New York Albany, New York 12201	Regulation of Corn Nitrate Reductase: Application of Monoclonal Antibodies	Wilbur H. Campbell	$90,000	08/01/83	07/31/85
Boyce Thompson Inst. for Plant Research Cornell Univ., Tower Road Ithaca, New York 14853	Host Plant Genetics and Nodule Formation	Thomas A. LaRue	$15,500	08/01/83	07/31/84
Boyce Thompson Inst. for Plant Res. Cornell Univ., Tower Road Ithaca, New York 14853	Reductant Source for Nitrogenase	Thomas A. LaRue	$75,000	09/01/83	08/31/85
Ohio State Univ. Research Foundation Columbus, Ohio 43212	Carbohydrate Metabolism in Legume Nodules	John G. Streeter	$95,000	09/01/83	08/31/85

Charles F. Kettering Foundation Research Lab 150 E. South College Street Yellow Springs, Ohio 45387	Analysis of the Natural Population of R. japonicum as Competitors and Symbionts	T. V. Bhuvaneswari	$76,000	08/01/83	07/31/85
Charles F. Kettering Foundation Research Lab 150 E. South College Street Yellow Springs, Ohio 45387	Nitrogenase Reactivity: Relevance to Molecular Mechanisms and Cellular Physiology	Barbara K. Burgess	$70,000	09/01/82	08/31/84
Charles F. Kettering Foundation Research Lab 150 E. South College Street Yellow Springs, Ohio 45387	The Azolla-Anabaena Symbioses: Form and Function	Gerald A. Peters	$65,000	09/15/83	09/30/84
Charles F. Kettering Foundation Research Lab 150 E. South College St. Yellow Springs, Ohio 45387	Hemeprotein Oxidases P_{450} and Nitrogen Fixation in Nodules and Cultured Rhizobia	Donald L. Keister	$25,000	07/01/81	08/31/84
Charles F. Kettering Foundation Research Lab 150 East South College Street Yellow Springs, Ohio 45387	Chemical Probes for the Molybdenum Site of Nitrogenase	John W. McDonald	$92,000	09/01/81	08/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Oklahoma State Univ. Stillwater, Oklahoma 74078	Chemical Characterization of the Barriers to Infection of Root Hairs by Rhizobia	Andrew J. Mort	$75,000	09/01/83	08/31/85
Oregon State Univ. Corvallis, Oregon 97331	Competition and Persistence Within Indigenous Rhizobial Populations	Peter J. Bottomley	$100,000	08/01/81	07/31/85
Oregon State Univ. Corvallis, Oregon 97331	RNA Polymerase and Transcription in *Rhizobium meliloti*	Lyle R. Brown	$90,000	09/01/83	08/31/85
Univ. of Texas Austin, Texas 78712-1095	The Recovery of Nitrogenase from Oxygen Inactivation	Fred R. Tabita	$96,000	08/01/83	07/31/85
Univ. of Washington Seattle, Washington 98195	Nitrogen Fixation in Methylotrophic Bacteria	Mary E. Lidstrom	$80,000	08/01/81	07/31/85
Univ. of Wisconsin Madison, Wisconsin 53706	HD Formation by Nitrogenase	Robert H. Burris	$90,000	07/15/81	07/31/85

Univ. of Wisconsin Madison, Wisconsin 53706	Non-Genetic Regulation of Nitrogenase in Photosynthetic Bacteria	Paul W. Ludden	$105,000	08/01/81	07/31/85
		TOTAL	$3,212,792		

COMPETITIVE RESEARCH GRANTS AWARDED FOR FISCAL YEAR 1983--PROGRAM AREA: PHOTOSYNTHESIS

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of California Berkeley, California 94720	Photosynthetic Enzyme Regulation in C_4 Plants	Bob B. Buchanan	$62,000	08/01/83	07/31/85
Univ. of California Berkeley, California 94720	Structural Differentiation and Functional Organization in Higher Plant Chloroplasts	Anastasios Melis	$60,000	09/01/81	08/31/85
Univ. of California Berkeley, California 94720	Electron Spin Echo Spectroscopy in Photosynthesis	Kenneth Sauer	$77,000	09/01/83	08/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Univ. of California Davis, California 95616	Role of Chloroplast and Vacuole Proteinases in Chloroplast Senescence	Ray C. Huffaker	$88,000	08/15/83	08/31/85
Univ. of Calif-San Diego La Jolla, California 92093	The Photochemical Apparatus of Photosynthesis	Warren L. Butler	$50,000	08/01/83	07/31/84
Univ. of California Los Angeles, California 90024	The Molecular Basis of the Synthesis and Function of the Light-Harvesting Chlorophyll A/B Protein	Elaine M. Tobin	$75,000	09/01/83	08/31/85
Univ. of California Davis, California 95616	Photosynthesis in Relation to Stomatal Response to Humidity: Significance of Single-Leaf Data	Theodore C. Hsiao	$85,000	09/01/83	08/31/85
Univ. of California Los Angeles, California 90024	Ribulose Bisphosphate Carboxylase: Structure and Function	David Eisenberg	$75,000	09/01/83	08/31/85

Stanford Univ. Stanford, California 94305	The Guard Cell Chloroplast and the Control of Gas Exchange in Leaves	Eduardo Zeiger	$14,000	09/15/83	09/30/84
Stanford Univ. Stanford, California 94305	NMR Studies of Quinone Binding Sites in Photosynthetic Reaction Centers	Steven G. Boxer	$90,000	09/01/83	08/31/85
Yale Univ. New Haven, Connecticut 06520	Electron Flow in Photosystem II	Gary W. Brudvig	$51,000	08/01/83	07/31/85
Univ. of Miami Coral Gables, Florida 33124	Structural Studies of Chlorophyll-Protein Complexes	Roger E. Fenna	$100,000	09/01/81	08/31/85
Univ. of Georgia Research Foundation Athens, Georgia 30602	Hybridizations Between *Panicum* Species Differing in Photosynthetic Pathways	R. H. Brown	$52,000	09/15/83	09/30/85
Univ. of Chicago Chicago, Illinois 60637	Excitation Transfer and Trapping in Higher Plant Photosynthesis	G. R. Fleming	$55,000	09/01/83	08/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of Health Science Chicago Medical School North Chicago, Illinois 60064	Light Regulated Enzymes of Photosynthetic Carbon Assimilation	Frank Marcus	$70,000	09/01/83	08/31/85
Univ. of Illinois Urbana, Illinois 61820	Herbicide Action and Selectivity in Photosynthetic Electron Transport	Colin A. Wraight	$50,000	09/15/81	09/30/84
Purdue Research Foundation West Lafayette, Indiana 47907	Mechanisms of Electron Transport in Photosynthesis	John L. Markley	$50,000	08/15/82	08/31/84
Kansas State Univ. Manhattan, Kansas 66506	Development of Lipid-Protein Complexes in *Anacystis* Membranes	James A. Guikema	$44,000	09/15/83	09/30/85
Harvard College Cambridge, Massachusetts 02138	Genes for Photosynthesis in Corn	Lawrence Bogorad	$50,000	08/15/82	08/31/84
Univ. of Michigan Ann Arbor, Michigan 48109	Amino Acids at the Active Site of CF_1, a Spin-echo nmr Study	Wayne D. Frasch	$88,000	09/01/83	08/31/85

Michigan State Univ. East Lansing, Michigan 48824	Directed Genetic Modification of RuBP Carboxylase/Oxygenase	C. R. Somerville	$56,000	07/15/83	07/31/84
Michigan State Univ. East Lansing, Michigan 48824	Plastome-Genome Incompatibility and Recombination of Chloroplast DNAs	Barbara B. Sears	$90,000	09/01/83	08/31/85
Michigan State Univ. East Lansing, Michigan 48824	Charge Separation and Stabilization in Chloroplast Photosystem II	Gerald T. Babcock	$58,000	08/01/81	07/31/84
Univ. of Missouri Columbia, Missouri 65211	Role of Fructans in the Grass Leaf Meristem	Curtis J. Nelson	$75,000	09/01/83	08/31/85
Washington Univ. St. Louis, Missouri 63130	Ultrafast Spectroscopic Studies of Photosynthetic Electron Transfer	Dewey Holton	$100,000	09/01/83	08/31/85
Agric. Expt. Station Univ. of Nebraska Lincoln, Nebraska 68583	The Role of Thylakoid Organization in Photosynthesis and Its Regulation	John P. Markwell	$27,092	09/01/83	08/31/85
Univ. of Nebraska Lincoln, Nebraska 68588	Relationship Between Cellular and Chloroplast Differentiation in Sorghum	Steven Schwartzbach	$85,000	07/15/83	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Cornell Univ. Ithaca, New York 14853	The Role of Membrane Transport Systems in the Partitioning of Photosynthate	Roger M. Spanswick	$50,000	09/01/81	08/31/84
Cornell Univ. Ithaca, New York 14853	Transcription and Translation by Chloroplasts	Andre T. Jagendorf	$70,000	09/01/83	08/31/85
Cornell Univ. Ithaca, New York 14853	Transport of Glycolic Acid in Photorespiration	Richard E. McCarty	$42,800	09/01/83	08/31/85
Boyce Thompson Inst. for Plant Research Cornell Univ., Tower Rd. Ithaca, New York 14853	Analysis of Photosynthetic Activity in Whole Leaves by Delayed Light Emission	James L. Ellenson	$45,000	09/01/83	08/31/85
The Rockefeller Univ. New York, New York 10021	Characterization of Plant Genes Encoding Photosynthetic Membrane Proteins	Anthony Cashmore	$150,000	08/01/83	07/31/86

The Rockefeller Univ. New York, New York 10021	Regulation of PEP Carboxylase Gene Expression	Nam-Hai Chua	$50,000	09/01/81	08/31/84
Rensselaer Polytechnic Institute Troy, New York 12181	Synthesis and Assembly of Chloroplast Protein	Harry Roy	$34,000	08/01/81	08/31/84
Brookhaven National Laboratory U.S. Department of Energy Upton, New York 11973	Photosynthetic Mechanisms in Nitrogen-Fixing Heterocysts of Cyanobacteria	Geoffrey Hind	$65,000	09/01/83	08/31/85
Pennsylvania State Univ. Univ. Park, Pennsylvania 16802	Maize Kernel Amyloplast Isolation, Enzyme Compartmentation, and Characterization	J. C. Shannon	$79,900	09/01/83	08/31/85
Pennsylvania State Univ. Univ. Park, Pennsylvania 16802	Structure-Function Studies on Cyanobacterial Phycobilisomes and Chlorophyll Proteins	Donald A. Bryant	$62,000	09/01/83	08/31/85
Brown Univ. Providence, Rhode Island 02912	Biosynthesis of Chlorophyll b	Samuel I. Beale	$40,000	07/15/81	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Brown Univ. Providence, Rhode Island 02912	Mechanism of Energy Distribution in Biliprotein-containing Organisms	John Biggins	$70,000	08/01/81	07/31/85
Univ. of South Carolina Columbia, South Carolina 29208	Metabolic Control in Peroxisomes and Mitochondria in Photorespiration	Anthony H.C. Huang	$75,000	08/01/83	07/31/85
Univ. of Texas Austin, Texas 78712	Form I and Form II RuBisCO in Photosynthetic Bacteria	F. Robert Tabita	$50,000	09/01/83	08/31/85
Texas Tech Univ. Lubbock, Texas 79409	Protein: Protein Complexes in Photosynthetic Electron Transfer Reactions	David B. Knaff	$80,000	09/01/83	08/31/85
Univ. of Utah Salt Lake City, Utah 84112	Control of Net Photosynthesis and Water Loss in Leaves	James Ehleringer	$85,000	09/15/82	09/30/85
Washington State Univ. Pullman, Washington 99164-1030	Photorespiration: Mechanism and *in vivo* Variation	Gerald E. Edwards	$78,000	09/15/83	09/30/85

Univ. of Wisconsin Madison, Wisconsin 53706	Mechanism of Action of Phosphoenolpyruvate Carboxylase	Marion H. O'Leary	$90,000	09/01/83	08/31/85
Univ. of Wisconsin Madison, Wisconsin 53706	Role of the Envelope Membranes in Chloroplast Biogenesis	Kenneth Keegstra	$165,000	09/01/83	08/31/86
Medical College of Wisconsin, Inc. Milwaukee, Wisconsin 53226	Mechanism of Activation of Ribulose Bisphosphate Carboxylase	Henry M. Miziorko	$49,000	09/01/81	08/31/84
		TOTAL	$3,207,792		

COMPETITIVE RESEARCH GRANTS AWARDED FOR FISCAL YEAR 1983--PROGRAM AREA: GENETIC MEHCANISMS FOR CROP IMPROVEMENT

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Northern Arizona Univ. Flagstaff, Arizona 86011	Barley Embryogenesis: Quantitative Ultrastructural Analysis of Male Gametes and Synergids Before Fertilization	H. Lloyd Mogensen	$60,000	08/15/83	08/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Univ. of California Davis, California 95616	Transfer of Quantitative Characters: Salt Tolerance from Elytrigia (Agropyron) to Triticum	Jan Dvorak	$40,000	09/01/81	08/31/84
Univ. of Calif-San Diego La Jolla, California 92093	Use of Plant Viruses to Introduce DNA Into Plants	Stephen H. Howell	$50,000	09/01/81	08/31/84
Univ. of California Los Angeles, California 90024	Ethylene and Wounding Directed Gene Expression in Plant Tissues	George G. Laties	$110,000	09/15/83	09/30/85
Salk Institute for Biological Studies POB 85800 San Diego, California 92138	Molecular Characterization and Biotechnological Manipulation of Plant Plasmamembrane	Christopher J. Lamb	$125,000	08/01/83	07/31/85
Univ. of Colorado Boulder, Colorado 80309	Characterization of Pathogen Genes That Interact with Plant Resistance Genes	Barbara Valent	$110,000	09/01/83	08/31/85

Yale Univ. New Haven, Connecticut 06520	Embryonic and Post-Embryonic Regulation of RuBPCase	Ian M. Sussex	$149,000	07/01/83	06/30/85
Carnegie Institution of Washington 1530 P. Street, N.W. Washington, D.C. 20005	Regulation of Gene Expression by Phytochrome	William F. Thompson	$55,000	09/15/82	09/30/84
Univ. of Florida Gainesville, Florida 32611	Chromatin Structure and Gene Expression in Maize	Robert J. Ferl	$125,000	08/01/83	07/31/85
Univ. of Florida Gainesville, Florida 32611	T-DNA Sequences Involved in Transcriptional Control	William B. Gurley	$135,000	08/01/81	07/31/85
Univ. of Florida Gainesville, Florida 32611	Chromatin Structure and Gene Expression in Maize	Robert J. Ferl	$75,000	08/01/83	07/31/86
Florida State Univ. Tallahassee, Florida 32306	Fusion and Culture of Plant Protoplasts for the Production of Stable Hybrids	George W. Bates	$100,000	07/15/83	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Florida State Univ. Tallahassee, Florida 32306	Development of a Genetic Manipulation System for Cotton	Margaret Y. Menzel	$40,000	09/15/81	09/30/84
Univ. of Georgia Research Foundation Athens, Georgia 30602	Soybean RuBP Carboxylase Small Subunit Gene Family: Structure and Expression	Richard B. Meagher	$120,000	09/15/83	09/31/85
NCR, ARS, S&E, USDA 2000 West Pioneer Parkway Peoria, Illinois 61615	The Endosperm: Genetics and Application to Intra- and Interspecific Hybridization	Robert E. Hanneman	$115,000	07/01/83	06/30/86
Purdue Research Foundation West Lafayette, Indiana 47907	Regulation of Glycinin Synthesis in Developing Soybeans	Niels C. Nielsen	$110,000	07/15/83	07/31/85
Kansas State Univ. Manhattan, Kansas 66506	Tissue Culture as a Method of Alien Gene Transfer in Wheat (*Triticum aestivum* L.)	Rollin G. Sears	$70,000	09/01/81	08/31/85

Univ. of Kentucky Research Foundation Lexington, Kentucky 40546	Wide Hybridization and Gene Transfer in *Nicotiana* and *Trifolium*	Glenn B. Collins	$50,000	07/01/81	06/30/84
Univ. of Kentucky Research Foundation Lexington, Kentucky 40546-0091	Genetics of Breeding of Somaclonal Variation in Red Clovers	Norman L. Taylor	$50,000	09/01/83	08/31/84
SR, ARS, S&E, USDA P.O. Box 53326 New Orleans, Louisiana 70153	Isozyme Loci as Markers for Locating and Manipulating Quantitative Trait Loci	Charles W. Stuber	$50,000	09/15/83	09/30/84
NER, ARS, S&E, USDA BARC-West Beltsville, Maryland 20705	Molecular Analysis of Gene Expression During Carrot Somatic Embryogenesis	D. E. Cress	$156,000	08/15/83	08/31/86
NER, ARS, S&E, USDA BARC-West Beltsville, Maryland 20705	Structural Analysis, Distribution, and Uses of a Soybean Insertion Sequence	Lila O. Vodkin	$80,000	09/01/83	08/31/85
Univ. of Maryland College Park, Maryland 20742	Somatic Embryogenesis in Crop Plants	Todd J. Cooke	$110,000	08/01/83	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Harvard College Cambridge, Massachusetts 02138	How is Chloroplast Gene Expression Regulated?	Lawrence Bogorad	$90,000	09/15/83	09/30/85
Massachusetts Institution of Technology Cambridge, Massachusetts 02139	Regulation of Gene Expression in Plants via Secondary Structure of Messenger RNA	Lee Gehrke	$125,000	08/01/83	07/31/85
Wayne State Univ. Detroit, Michigan 48202	A Novel Vehicle for Introducing Genetic Information Into Plants	Albert Siegel	$99,000	09/01/83	08/31/85
Washington Univ. St. Louis, Missouri 63130	Characterization of the Barley Alpha-amylase Genes and Their Regulatory Elements	John C. Rogers	$106,570	08/01/83	07/31/8
Research Foundation of State Univ. of New York P.O. Box 9 Albany, New York 12201	The Role of Heat Shock and Other Proteins in Tolerance to Heat Stress in Plants	Joseph Mascarenhas	$80,000	08/01/83	07/31/8

North Carolina State Univ. Raleigh, North Carolina 27650	Mechanisms of Membrane Fusion in Fusogenic Carrot Protoplasts	Wendy F. Boss	$125,000	07/15/83	07/31/85
North Carolina State Univ. Raleigh, North Carolina 27650	Biosystematics and Utilization of Arachis Species to Improve Cultivated Peanuts	Harold T. Stalker	$25,000	09/01/83	08/31/84
Oregon State Univ. Corvallis, Oregon 97331	Control of Cytokinin Synthesis in Relation to Wheat Grain Development	Roy O. Morris	$100,000	08/01/83	07/31/85
Univ. of Oregon Eugene, Oregon 97403	Nuclear-Cytoplasmic Inheritance Among the Solanaceae	Howard T. Bonnett	$73,700	08/01/83	07/31/85
Univ. of Pennsylvania Philadelphia, Pennsylvania 19104	The Nature of Homeotic Mutations in Maize	R. Scott Poethig	$110,000	09/01/83	08/31/85
Pennsylvania State Univ. Univ. Park, Pennsylvania 16802	The Glutathione S-Transferase Genes From Corn and Cotton	Chen-Pei David Tu	$115,000	09/01/83	08/31/86
Pennsylvania State Univ. Univ. Park, Pennsylvania 16802	The Glutathione S-Transferase Genes From Corn	Chen-Pei David Tu	$50,000	09/01/83	08/31/86

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of Rhode Island Kingston, Rhode Island 02881	Studies on Virus-Induced Mutations in Maize	John P. Mottinger	$90,000	08/01/83	07/31/85
Texas A&M Research Foundation College Station, Texas 77843	Regulation of Tuber Protein Synthesis in Potato	William D. Park	$80,000	09/15/83	09/30/84
Texas A&M Research Foundation College Station, Texas 77843	Genetic Structure of Weed-Crop Population Systems (Cucurbita and Chenopodium)	Hugh D. Wilson	$50,000	09/15/83	09/30/84
Texas A&M Research Foundation College Station, Texas 77843	Gene Synteny Relationships and Map Locations in Hexaploid Wheat and its Relatives	Gary E. Hart	$100,000	09/01/83	08/31/86
Utah State Univ. Logan, Utah 84322	Transferring Apomixis to Wheat via Wide-Hybridization: The Necessary First Steps	John G. Carman	$80,000	08/01/83	07/31/85

Washington State Univ. Pullman, Washington 99164-1030	Characterization of Nicotiana-pTiAG63 Related DNA Sequences	Michael Thomashow	$84,000	08/01/83	07/31/84
Univ. of Wisconsin Madison, Wisconsin 53706	Genetic Analysis of Alfalfa Variants Regenerated From Cell Cultures	E. T. Bingham	$40,000	07/01/81	06/30/84
Univ. of Wisconsin Madison, Wisconsin 53706	The Phytochrome Gene: Structure, Organization and Expression	Peter H. Quail	$90,000	09/01/81	08/31/85
Univ. of Wisconsin Madison, Wisconsin 53706	Systems of Polygenic Control of a Metric Trait, Phaseolin Seed Protein	Fredrick A. Bliss	$45,000	09/15/81	09/30/84
Univ. of Wisconsin Madison, Wisconsin 53706	DNA Transformation Systems and Cloning Vehicles for Phytophthora	Sally Ann Leong	$100,000	09/15/83	09/30/85
Univ. of Wisconsin Madison, Wisconsin 53706	Usefulness of 2n Gametes and Diploid Progenitor Species in Breeding Autotetraploid Orchardgrass	Michael D. Casler	$75,000	09/15/83	09/30/85
		TOTAL	$4,018,270		

COMPETITIVE RESEARCH GRANTS AWARDED FOR FISCAL YEAR 1983--PROGRAM AREA: BIOLOGICAL STRESS ON PLANTS

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Univ. of Arizona Tucson, Arizona 85721	Identification of Root-knot Nematodes by Monoclonal Hybridoma Antibodies	David O. Lucas	$70,000	07/01/83	06/30/85
Univ. of Arkansas Fayetteville, Arkansas 72701	Baculovirus Transmission in *Anticarsia gemmatalis* Populations on Soybean	Seth Y. Young	$70,000	09/15/83	09/30/85
Univ. of Arkansas Fayetteville, Arkansas 72701	Beetle Regurgitant as a Determinant of Specificity of Plant Virus Transmission	Howard A. Scott	$60,000	07/01/83	06/30/85
Univ. of California Berkeley, California 94720	AcMNPV Structural Proteins	Loy E. Volkman	$70,000	06/15/83	06/30/85
Univ. of California Berkeley, California 94720	Enhancing Reproductive Isolation of a Genetically-improved Control Agent	Marjorie A. Hoy	$60,000	09/01/83	08/31/85

Univ. of California Davis, California 95616	Coevolution in the Barley Composite Cross-*Rhyncosporium* Host-pathogen System	Robert W. Allard	$75,000	07/01/83	06/30/85
Univ. of California Davis, California 95616	Defining and Mapping the Genes of the Cauliflower Mosaic Virus	Robert J. Shepherd	$42,000	08/01/81	07/31/84
Univ. of California Davis, California 95616	Mechanisms Controlling Expression of Virulence in *Pseudomonas savastanoi*	Tsune Kosuge	$43,000	07/01/81	06/30/84
Univ. of California Riverside, California 92521	Viral Specific dsRNA: Diagnostic Potential and Functional Role in RNA Virus Pathology	James A. Dodds	$60,000	07/01/83	06/30/85
Colorado State Univ. Ft. Collins, Colorado 80523	Optimal Exploitation of Antagonism in Biological Control	Ralph Baker	$60,000	07/01/83	06/30/85
Colorado State Univ. Ft. Collins, Colorado 80523	Long-distance Dispersal and Water Contamination by *Erwinia carotovora*	Monty D. Harrison	$40,000	07/01/83	06/30/84
Yale Univ. New Haven, Connecticut 06520	Genetics of Gypsy Moth Populations	Richard Harrison	$75,000	07/01/83	06/30/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
NCR, ARS, S&E, USDA 2000 West Pioneer Parkway Peoria, Illinois 61615	The Role of the Host Plant in Directing Toxin Production	Richard D. Durbin	$70,000	09/15/83	09/30/85
Univ. of Illinois Urbana, Illinois 61801	Corn Earworm: Self-selection of Nutrient Balance on Natural and Defined Diets	G. P. Waldbauer	$80,000	06/01/83	05/31/85
Univ. of Illinois Urbana, Illinois 61801	Insecticidal and Synergistic Properties of Secondary Compounds in Pastinaca sativa	May R. Berenbaum	$38,900	07/01/83	06/30/85
Univ. of Illinois Urbana, Illinois 61801	Kairomones in Corn and Cucurbits in Monitoring and Controlling Corn Rootworms	Robert L. Metcalf	$30,000	09/15/81	09/30/84
Purdue Research Foundation West Lafayette, Indiana 47907	Structure of Barley Stripe Mosaic Virus RNAs and Their Interaction During Infection	Andrew O. Jackson	$80,000	09/15/83	09/30/85

Purdue Research Foundation West Lafayette, Indiana 47907	Changes in Phytoalexin Biosynthetic Enzyme mRNAs in Disease-Resistant Soybeans	David N. Kuhn	$90,000	07/01/83	06/30/85
Iowa State Univ. of Science & Tech. Ames, Iowa 50011	Plant and Stand Response to Early Season Insect-Induced Stress in a Model System	Larry P. Pedigo	$56,900	06/01/83	05/31/85
Univ. of Kentucky Research Foundation Lexington, Kentucky 40506	Relation Between Phytoalexin Detoxification and Fungal Pathogenicity	David A. Smith	$90,000	09/15/83	09/30/85
Univ. of Kentucky Research Foundation Lexington, Kentucky 40506	Quantification of Plant Stress on Soybeans by Spider Mites	Juan G. Rodriquez	$70,000	08/01/83	07/31/85
Univ. of Kentucky Lexington, Kentucky 40506	Pest Behavior on *Lycopersicon* Leaves: Role of Trichomes and Certain Leaf Oils	John C. Snyder	$75,000	09/01/81	08/31/85
Univ. of Kentucky Research Foundation Lexington, Kentucky 40506	Nature and Mode of Action of the Potyvirus Helper Component	T. P. Pirone	$50,000	05/15/83	05/31/84

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of Kentucky Research Foundation Lexington, Kentucky 40506-0057	Viral Gene Expression in Potyvirus Infections	John G. Shaw	$80,000	07/01/83	06/30/85
NER, ARS, S&E, USDA BARC-West Beltsville, Maryland 20705	Mechanisms of Plant Viroid Replication and Viroid-Host Interaction	R. A. Owens	$81,500	09/15/81	09/30/85
NER, ARS, S&E, USDA BARC-West Beltsville, Maryland 20705	Cucumovirus Satellite-like RNA: Structure - Biological Function	Jacobus M. Kaper	$45,000	09/15/82	09/30/84
Univ. of Massachusetts Amherst, Massachusetts 01003	Host Selection Determinants in Apple Maggot and Mediterranean Fruit Flies	Ronald J. Prokopy	$50,000	09/01/82	08/31/84
Michigan State Univ. East Lansing, Michigan 48824	Quantifying Sensory Determinants Mediating Oviposition by the Onion Fly	James R. Miller	$50,000	06/01/83	05/31/84

Washington Univ. St. Louis, Missouri 63130	The Role of Hydroxyproline-rich Glycoproteins in the Plant's Response to Stress	J. E. Varner	$60,000	07/01/83	06/30/86
Washington Univ. St. Louis, Missouri 63130	The Role of Hydroxyproline-rich Glycoproteins in the Plant's Response to Stress	J. E. Varner	$20,000	07/01/83	06/30/86
Agric. Expt. Station Univ. of Nebraska Lincoln, Nebraska 68583-0704	Corynebacterium Pathogens of Corn and Wheat: Serology and Genetics	Anne K. Vidaver	$70,000	09/01/83	08/31/85
Agric. Expt. Station Univ. of Nebraska Lincoln, Nebraska 68583-0704	Dynamic Simulation of Soybean-Weed Competition and Effects on Crop Performance	George E. Meyer	$70,000	09/15/83	09/30/85
Univ. of Nebraska Lincoln, Nebraska 68588-0430	Analysis of the Plasma Membrane of Higher Plants	David W. Galbraith	$70,000	09/01/83	08/31/85
Univ. of Nevada Reno, Nevada 89506	Biosynthesis of Insect Hydrocarbons - Potential for Insect Control	Gary J. Blomquist	$80,000	07/01/83	06/30/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Boyce Thompson Inst. for Plant Research Cornell Univ., Tower Road Ithaca, New York 14853	Role of Cyclic AMP in Uredospore Differentiation	Richard C. Staples	$75,000	09/15/83	09/30/85
Cornell Univ. Ithaca, New York 14853	Development of an Apple Maggot Monitoring System Using Synthetic Apple Volatiles	W. Harvey Reissig	$75,000	09/01/83	08/31/85
Boyce Thompson Inst. for Plant Research Cornell Univ., Tower Road Ithaca, New York 14853	Infection Mechanisms and *in vitro* Cultivation of Viral Pesticides	Robert R. Granados	$90,000	08/01/83	07/31/85
Cornell Univ. Ithaca, New York 14853	Mechanisms of Trichome-Mediated Insect Resistance in a Wild Tomato	Peter Gregory	$70,000	07/01/83	06/30/85
Cornell Univ. Ithaca, New York 14853	Enzymology of Isoflavonoid Phytoalexin Biosynthesis	Hans D. VanEtten	$70,000	07/01/83	06/30/85

Cornell Univ. Ithaca, New York 14853	Interactions of Plant Viruses with Their Hosts	Milton Zaitlin	$80,000	09/01/81	08/31/85
Cornell Univ. Ithaca, New York 14853	Epidemiology of Sexual and Asexual *Phytophthora infestans* Populations	William E. Fry	$80,000	09/01/83	08/31/85
Cornell Univ. Ithaca, New York 14853	Isolation and Characterization of Genes for Pathogenicity in *Erwinia amylovora*	Steven V. Beer	$80,000	07/01/83	06/30/85
Boyce Thompson Inst. for Plant Research Cornell Univ., Tower Road Ithaca, New York 14853	An Enzyme Storage Complex for DNA Synthesis in Uredospores of the Bean Rust Fungus	Richard C. Staples	$31,000	09/01/81	08/31/84
The Rockefeller Univ. New York, New York 10021	Viroid Multiplication and Disease Induction	Hugh D. Robertson	$40,000	08/01/83	07/31/85
North Carolina State Univ. Raleigh, North Carolina 27650	Allelopathic Substances in Ecosystems: The Role of the Soil Environment	Udo Blum	$60,000	08/01/81	07/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
North Carolina State Univ. Raleigh, North Carolina 27650	Spread of Aphid-Borne Plant Viruses as Affected by Aphid and Virus Resistance	J. W. Moyer	$80,000	09/01/81	08/31/85
North Carolina State Univ. Raleigh, North Carolina 27650	Soybean Cyst Nematode-Rhizobium Interactions: Pathogenesis and Resistance	J. S. Huang	$70,000	07/01/81	06/30/85
Ohio State Univ. Research Foundation Columbus, Ohio 43212	Cloning of Virulence Genes from Erwinia stewartii	David L. Coplin	$102,300	08/01/83	07/31/85
Ohio State Univ. Research Foundation Columbus, Ohio 43212	Control of Insect Populations by Regulation of Dormancy	David L. Denlinger	$77,446	09/01/83	08/31/85
Oberlin College Oberlin, Ohio 44074	Biological Determinants of Nectar Production: A Model System	Michael Zimmerman	$15,000	09/01/83	08/31/85

Ohio Agric. Res. & Development Center Wooster, Ohio 44691	Evolution of Leafhoppers and Stunting Pathogens with Maize and its Ancestors	Lowell R. Nault	$37,000	07/01/81	06/30/84
Oklahoma State Univ. Stillwater, Oklahoma 74078	Drought and Greenbug Stress Interactions in Winter Wheat Genotypes	Richard C. Johnson	$75,000	06/01/83	05/31/85
Oregon State Univ. Corvallis, Oregon 97331	Competition and Weed Community Dynamics Based on Germination and Growth Analysis	Steven Radosevich	$60,000	09/15/83	09/30/86
Texas A&M Research Foundation College Station, Texas 77843	Allomones Involved in the Parasite-Host-Plant Interaction: A Model System	S. Bradleigh Vinson	$47,000	08/01/81	07/31/84
Texas A&M Research Foundation College Station, Texas 77843	Mechanism of Stress Ethylene Induction in Cotton by the Fleahopper	Page W. Morgan	$48,000	09/01/81	08/31/84
Utah State Univ. Logan, Utah 84322	The Role of Mycorrhizae in Competition Between Weeds and Rangeland Grasses	Edith B. Allen	$70,000	06/01/83	05/31/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD FROM	TO
Virginia Polytechnic Inst. & State Univ. Blacksburg, Virginia 24061	Isolation of the Gene for Pectate Lyase Production from Erwinia carotovora	George H. Lacy	$60,000	07/01/83	06/30/85
Issaquah Health Research Institute 1595 N.W. Gilman Blvd. Issaquah, Washington 98027	Host-Parasite Interactions in the Tobacco Hornworm and the Cabbage Looper	Nancy E. Beckage	$50,000	07/01/83	06/30/85
Washington State Univ. Pullman, Washington 99164	Wound-Regulated Synthesis and Accumulation of Proteinase Inhibitors in Plants	Clarence A. Ryan	$52,000	07/01/81	06/30/84
Washington State Univ. Pullman, Washington 99164-1030	Relationship of Iron Assimilation to the Virulence of Pseudomonas syringae	Dennis C. Gross	$60,000	07/01/83	06/30/85
Univ. of Wisconsin Madison, Wisconsin 53706	Studies of the Mechanism Underlying Systemic Virus Invasion of Plants	Gustaaf de Zoeten	$75,000	09/01/83	08/31/85

Univ. of Wisconsin Madison, Wisconsin 53706	Resistance of Potato Tubers to Tissue Maceration by Pectolytic Enzymes	Arthur Kelman	$80,000	08/01/83	07/31/85
Univ. of Wisconsin Madison, Wisconsin 53706	A Model of Bacterial Disease Hazard Based on Epiphytic Pathogen Population Size	D. I. Rouse	$80,000	07/15/81	07/31/85
Univ. of Wisconsin Madison, Wisconsin 53706	Foliar Biological and Integrated Control of the Apple Scab Disease	John H. Andrews	$60,000	03/01/81	04/30/85
		TOTAL	$4,082,046		

COMPETITIVE RESEARCH GRANTS AWARDED FOR FISCAL YEAR 1983--PROGRAM AREA: HUMAN REQUIREMENTS FOR NUTRIENTS

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of California Berkeley, California 94720	The Influence of the Physical Form of the Dietary Fiber on Its Effects in the Gut	Sharon E. Fleming	$148,000	09/15/83	09/30/85

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Univ. of California Los Angeles, California 90024	Diet and Bone Mineral Density in Women Aged 50-79 Years	Isabelle F. Hunt	$75,000	09/01/83	08/31/84
George Washington Univ. Washington, D.C. 20052	Dietary Fibers and Nutrient Absorption: Structure-Function Correlations	George V. Vahouny	$100,000	08/01/82	07/31/84
Univ. of Florida Gainesville, Florida 32611	Determination of Vitamin B-6 and Folacin Bioavailability Using Stable-Isotope Enrichment Methods	Jesse F. Gregory	$135,000	08/15/83	08/14/85
Univ. of Illinois Urbana, Illinois 61820	Biochemical and Biophysical Influence of Dietary Fatty Acids on Immunocompetent Cells	Patricia Johnston	$135,120	09/01/83	08/31/86
Fort Wayne State Hospital & Training Ctr. 4900 St. Joe Rd. Ft. Wayne, Indiana 46815	Quantitative Assessment of Vitamin B_6 Metabolism in Man with Stable Isotopes	Stephen P. Coburn	$68,000	09/15/81	09/30/85

Purdue Research Foundation West Lafayette, Indiana 47907	Mechanisms of Alteration of Bile Acid Excretion by Dietary Fiber	Jon A. Story	$70,000	09/01/83	08/31/84
Purdue Research Foundation West Lafayette, Indiana 47907	Assessment of Vitamin B-6 Nutriture of Breastfed Infants	Avanelle Kirksey	$120,000	09/15/83	09/30/85
Louisiana State Univ. & A&M College Baton Rouge, Louisiana 70803	Effects of Trans Fatty Acids on Arachidonic Acid Metabolism	Daniel H. Hwang	$72,000	08/01/83	07/31/86
Univ. of Maryland College Park, Maryland 20742	An Index of Zinc Absorption in Lactating Women	Phylis B. Moser	$40,000	09/15/83	09/30/84
Univ. of Maryland College Park, Maryland 20742	Age-related Bone Fragility: Influence of Dietary Zinc on Bone Mobilization	J. H. Soares	$90,000	08/01/83	07/31/86
Univ. of Maryland College Park, Maryland 20742	Zinc, Selenium and Chromium Nutrition in Term and Pre-term Infants	Glen E. Gordon	$55,000	09/15/80	09/30/84

ORGANIZATION	TITLE	PRINCIPAL INVESTIGATOR	AMOUNT	AGREEMENT PERIOD	
				FROM	TO
Massachusetts Institute of Technology Cambridge, Massachusetts 02139	Biochemical Reasons for the Requirement of Vitamin A in the Mammalian Organism	George Wolf	$80,000	09/01/81	08/31/84
Massachusetts Institute of Technology Cambridge, Massachusetts 02139	A Novel Approach for the Study of Human Amino Acid Metabolism in Relation to Dietary Requirements	Vernon R. Young	$120,000	09/15/81	09/30/84
Univ. of Minnesota St. Paul, Minnesota 55104	Significance of Trypsin Inhibitors in Human Nutrition	Irvin E. Liener	$140,000	07/15/83	07/31/85
Univ. of Missouri Columbia, Missouri 65211	Nutritional Essentiality of Lithium	Edward E. Pickett	$50,000	09/01/83	08/31/84
St. Louis Univ. St. Louis, Missouri 63103	Interrelationship of Iron and Vitamin E	Coy D. Fitch	$60,000	09/15/82	09/30/84

Cornell Univ. Ithaca, New York 14853	Antithrombotic Action of n3 Polyunsaturated Acids: Optimum Intake and Effects on Prostaglandins	John E. Kinsella	$75,000	07/15/82	09/30/84
Oklahoma Medical Research Foundation Oklahoma City, Oklahoma 73104	Dietary Requirements for Linoleic Acid and Antioxidant	Mary P. Carpenter	$70,000	08/01/81	07/31/84
School of Agriculture Oregon State Univ. Corvallis, Oregon 97331	Dietary Selenium Requirements for Pregnant Women	Philip D. Whanger	$13,000	09/15/80	09/29/84
Pennsylvania State Univ. Univ. Park, Pennsylvania 16802	Compartmental Analysis of Status, Requirements, and Metabolism of Vitamin A	Michael H. Green	$140,000	09/01/81	08/31/85
Univ. of Vermont & State Agric. College Burlington, Vermont 05405	Diet-induced Alterations in Thyroid Hormone Metabolism and Nutritional Requirements	Elliot Danforth	$80,000	08/01/83	07/31/84
		TOTAL	$1,936,120		

Question: I notice again that you are not requesting funding for animal health and disease research formula funding. Instead, you have requested $4.5 million for animal science under competitive grants. Why have you chosen this method of animal health research? Can you estimate what percentage of the $4.5 million competitive grants money would go to land-grant institutions?

Answer: Additional funding of $4.5 million will allow a new animal science program area to be initiated. The inclusion of animal science will broaden the range of research covered by the Competitive Research Grants program and increase the impact of the program. Funding the research in this program will permit specific targeting of basic research in animal science to assure an expanded fundamental knowledge base for efficient and adequate production of animal products and assure that adequate supplies of these food products continue to be available.

Historically approximately 60 to 65 percent of funds awarded under this program go to the land-grant institutions. Considering the animal science research capacity of the land-grant institutions, it is estimated that rate could be continued or possibly increased from the additional funding proposed for animal science research.

1890 RESEARCH FACILITIES

Question: For two years now we have provided funds ($10,000,000 each year) for facilities improvement at the 1890 institutions.

Will you please advise the committee how these funds were used at each of these institutions the past two years and what additional improvements are planned for fiscal year 1985?

Answer: CSRS requested each college to submit a Five-Year Action Plan describing how the research facilities funds would be used. The Plan explains details for facilities projects to be supported each fiscal year. These projects are listed by fiscal year including proposed activities for FY 1985.

Fiscal Year 1983

Alabama A&M University purchased land, constructed security fencing around research areas, constructed a poultry research facility, and purchased major research equipment.

Tuskegee Institute allocated funds to purchase land and renovate two research buildings with office and laboratory space.

University of Arkansas at Pine Bluff constructed an underground irrigation system, renovated the horticulture greenhouse, and constructed fish ponds.

Florida A&M University renovated a soils lab, an ecology lab and office space; purchased research equipment and land.

Delaware State College developed architectural plans and renovated some research space.

Fort Valley State College purchased land and renovated greenhouses.

Kentucky State University purchased land for aquaculture research and planned the construction of aquaculture ponds.

Southern University, Louisiana, funds were expended to plan a multipurpose research complex.

University of Maryland-Eastern Shore initiated renovation projects for poultry research and small animal experimentation laboratories and planned the development of swine research facilities.

Alcorn State University, Mississippi, planned a research annex to the main agriculture building and developed plans for construction of a poultry research house.

Lincoln University, Jefferson City, Missouri, planned the construction of a swine research building and farm equipment building.

North Carolina A&T State University initiated three renovation projects for lab and office space.

Langston University, Langston, Oklahoma, purchased research equipment.

South Carolina State College planned for renovation of research laboratories.

Tennessee State University renovated research laboratory space.

Prairie View A&M University, planned and designed a research laboratory complex, constructed security fencing, and leveled research land for better drainage.

Virginia State University installed an irrigation system, upgraded field research plots and initiated plans for the construction of a research center.

FY 1984

Alabama A&M University, Normal, Alabama, will purchase land for large animals and Christmas tree research, construct an animal research barn and purchase major research equipment.

Tuskegee Institute will continue with the renovation of two research buildings for office and lab space.

University of Arkansas-Pine Bluff will expend funds to complete the construction of fish ponds and purchase research equipment.

Delaware State College is planning for the construction of a major research facility. Architectural plans are under development.

Florida A&M University will purchase land for beef cattle research and major research equipment.

Fort Valley State College plans construction of a dairy goat research complex.

Kentucky State University is planning for the renovation of Underwood Hall for research office and laboratory space.

Southern University, Louisiana, has decided to construct greenhouses rather than renovate the current greenhouses. Funds will also be expended on research equipment.

The University of Maryland-Eastern Shore has proposed the construction of field system wells and the purchase and installation of an irrigation system.

Alcorn State University will construct greenhouses.

Lincoln University, Missouri, will use its funds to complete the construction of a swine complex and farm equipment building.

North Carolina A&T State University received approval to alter its plans so that a building located adjacent to the campus may be purchased and renovated as a research building.

Langston University, Oklahoma, will expend funds to construct greenhouses.

South Carolina State College plans to renovate some current research laboratories, while continuing plans for the construction of a new research lab complex.

Tennessee State University will initiate construction of greenhouses.

Prairie View A&M University, Texas, proposes to construct a farm machinery storage and maintenance building for research machinery.

Virginia State University will continue to allocate its funds to a major construction project to accommodate research labs and offices.

FY 1985

Alabama A&M University proposes to renovate a rabbit production research building and to purchase an electron microscope and other major equipment.

Tuskegee Institute, Alabama, will continue renovation of work space for scientists in four buildings.

University of Arkansas, Pine Bluff, plans purchase of growth chambers, and other major equipment and the renovation of an entomology laboratory.

Delaware State College is planning construction of a new research annex.

Florida A&M University will undertake the renovation of peanut research and the post harvest physiology laboratories.

Fort Valley State College plans to purchase land and renovate swine research buildings.

Kentucky State University will purchase equipment and furnishing for the main research building which will be under renovation.

Southern University, Louisiana, will install major equipment in new greenhouses.

University of Maryland-Eastern Shore, is planning new construction of swine buildings and a plant breeding screen house.

Alcorn State University, Mississippi, will begin planning for a research annex to the main agricultural building to contain space for meats labs, rural development labs, soil and water labs and human nutrition labs.

Lincoln University, Missouri, anticipates purchasing land for livestock and crop research.

North Carolina A&T State University will renovate a recently purchased building for agricultural research.

Langston University, Oklahoma, will allocate funds for the construction of fish ponds.

South Carolina State College will construct a new research laboratory complex.

Tennessee State University will renovate structures used for storage of research farm supplies and equipment.

Prairie View A&M University, Texas, plans renovation of the greenhouses and the poultry complex.

Virginia State University will allocate its funds for the construction of a major new agricultural research complex.

Question: Originally, this was to be a 5-year program through 1986, but I have heard it may be extended. Can you enlighten us on that?

Answer: Public Law 97-98, Section 1433, authorizes grants to upgrade 1890 Land-Grant College research facilities. Section 1433(b) states: "There are authorized to be appropriated to the Secretary of Agriculture for the purpose of carrying out the provisions of this section $10,000,000 for each of the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984, September 30, 1985, and September 30, 1986, such sums to remain available until expended". However, the first funds were not appropriated under this authority until fiscal year 1983. Therefore, this provision needs to be extended through September 30, 1987, in order to include the total $50 million the Congress intended to provide under Section 1433.

Question: Who makes the determination and how is the determination made as to how the money is spent at each institution?

Answer: Each institution made a survey of facilities needs. University administrators and scientists at each of the institutions were involved in conducting the survey and the facilities that are being developed have the approval of university and State officials. The determination of how the money is spent is based upon the priority list made at the university by the faculty and administration. Each institution developed a Five-Year Research Facilities Action Plan which has been approved by CSRS. Any alteration in the Plan must be approved by CSRS.

RURAL DEVELOPMENT CENTERS

Question: In previous years, funding for the four regional rural development centers was provided under the Special Grants program of CSRS and under Federal Administration of the Extension budget. This year, no request for funding is included in either budget. What will be the impact of this budget elimination?

Answer: Existing Special Research Grants will carry the current programs of the centers through January-November 1985. The fiscal year 1984 grants have not yet been awarded. The States are assessing the accomplishments in the coordination of research activities and the exchange of scientific information among faculty and staff at the land-grant colleges and universities in each region and are giving consideration to maintaining the centers from other sources of funding or using other mechanisms to provide the services to the rural community.

Question: What is the Department's view of these centers?

Answer: The rural development centers provide a central point for the assembly, interpretation, analysis, and dissemination of research and extension informaton in each of four regions. Through conferences, workshops, seminars, and publications, the centers improve communication among the States and between research and extension personnel. Thus, they are a linkage mechanism which facilitates research and related extension programs directed toward rural people and rural communities within each region of the United States. The centers provide a regional pool of research expertise that benefits each of the States in its region. The ability to focus this expertise on mutual problems and to coordinate its activities at a regional level is a unique feature of the centers. This makes them an effective research support mechanism to both regional and State related research. The centers also provide "seed money" to help researchers develop proposals for funding from other sources, including the private sector. In this fashion, they can be very effective in leveraging the value of the research dollars committed to them.

Question: Was this a waste of Federal dollars?

Answer: This was not a waste of Federal dollars. The centers have provided continuous planning and coordination for rural development research for over 12 years.

Question: Do you have any indication that States will or can assume support of these four centers?

Answer: The status of these centers is under evaluation by the States at this time. The recurring and continuing nature of research coordination and planning creates an ongoing set of requirements which has prompted the Board of Directors for at least two of the centers to seek funding from other sources.

SMALL BUSINESS ACT

Question: Please provide a table showing how much will be set aside by each agency for the Small Business Innovation Research program for Fiscal Year 1984 and proposed for Fiscal Year 1985.

Answer: The following table represents the set aside by agency for the Department of Agriculture.

Small Business Innovation Research Program

Agency	FY 1984 Estimate	FY 1985 Estimate
Agricultural Cooperative Service	$3,600	$1,000
Agricultural Research Service	240,000	400,000
Cooperative State Research Service	1,380,860	2,491,131
Economic Research Service	13,800	19,000
Forest Service	29,000	49,000
Human Nutrition Information Service	12,000	20,000
Statistical Reporting Service	4,032	6,720
	1,683,292	2,986,851

Question: How many proposals were received in Fiscal Year 1983? How many grants were made in 1983, how many estimated for 1984, and in what program area?

Answer: In fiscal year 1983 the Department of Agriculture received 274 proposals from small businesses and 16 grants were awarded. The Department of Agriculture expects to make approximately 20 awards in fiscal year 1984. The fiscal year 1984 solicitation for Small Business Innovation Research (SBIR) requests proposals in the following areas:

1. Forests and Related Resources: The objective of this topic is to develop environmentally sound techniques to increase productivity of forest land and to increase the utilization of materials and resources from forest lands.

2. Plant Production and Protection: The objective of this research topic area is to examine means of increasing the productivity of cropland while reducing the impact of destructive agents. This involves ways to increase crop production through the development of effective and efficient agricultural systems.

3. Animal Production and Protection: The overall objective of this topic area is to develop knowledge that will enable producers of food animals to increase production and to assure a reliable, safe supply of animal protein and other animal products while conserving resources and reducing costs of production.

4. Air, Water and Soils: The objective of this research is to develop technologies for conserving air, water, and soil resources while sustaining agricultural productivity. This involves developing means to effectively control resources to increase farm and forest productivity as well as the manufacture of resulting commodities.

5. Food Science and Nutrition: The objectives of food science and nutrition research programs are to develop new knowledge and a better understanding of the characteristics of the foods we eat and their nutritional impact; to apply new knowledge to improve our foods and our diets; and to systematically apply new knowledge to the production of useful new food products, processes, materials and systems, including application of nutritional information to consumer foods and food service systems.

6. Rural and Community Development: The objectives of this research are to foster, promote, or improve the well-being of rural Americans. The SBIR program supports the application of social science research to issues and problems related to the development of rural areas, small towns, rural people, rural organizations, and rural institutions.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

IMPACT OF BIOTECHNOLOGY EMPHASIS

Question: As you well know and have so often stated, research is a continuing process. Ongoing research under the special research grants of the CSRS have been providing funds for potato research, TCK smut research, and soil erosion research for Idaho and the Pacific Northwest for several years. In conjunction with funds provided by the state and the industries involved, great progress has been made in varieties research and erosion mitigation. I am concerned that the ongoing projects such as potato research, which have been well supported by the potato industry, will not be able to continue to provide adequate research funds in the future due to the shift of funds away from these special research grants to competitive research grants. Can you give me any assurances that these research projects will continue to have funding? Will this new emphasis on biotechnology negatively impact research on potato, TCK smut, and soil erosion.

Answer: The Special Research Grants program concentrates on problems of national interest beyond the normal emphasis in the formula program. Prior funding under this program has already directed attention to these areas and the research grants funded in fiscal year 1984 and prior years will be used over a period of up to five years for completion of studies. The level of funding and the time period of support provided by these grants will yield important information. As results of this research become known, an assessment can be made of the need for augmenting this base of scientific knowledge developed by these programs. Amounts allotted to States on a formula basis permit State institutions to fund research in those areas they identify as high priority and could be a possible source of funding for these programs if the States wish to continue the research.

Proposed research in the new biotechnologies offers potential for very high returns, particularly in terms of more effective techniques for the development of improved crop varieties. Positive results applicable to the areas identified are anticipated as a result of this initiative.

LYGUS BUGS

Question: Peas and lentils are economically important crops in north Idaho and the Pacific Northwest. They are especially important when grown in rotation with cereal crops, as they improve soil fertility and offer better crop management options to suppress soil erosion and wheat pests. In the Pacific Northwest region 400,000 acres of peas and lentils are grown each year with an estimated cash value of over $100 million. This comprises 98% of the U.S. production. About 85% of the lentils and most of the dry peas are exported and sold in world markets. In 1983 an estimated $5,000,000.00 in value was lost to producers due to defects called 'chalky spot' caused by lygus bug stings. Initial attempts at reducing the incidence of chalky spot included intensifying the insecticide spray programs for aphids to also control lygus bugs. A producer in Idaho donated 30 acres of his land in 1983 for research to control the lygus bug but all attempts to reduce damage produced little change in the amount of damage. The growers and shippers of peas and lentils in the Pacific Northwest are in need of help to continue their research on the lygus bug. Could you tell me if there are funds, emergency or otherwise, available to help this industry in finding an answer to this problem?

Answer: We have been informed of the serious defects in lentils and dry peas caused by lygus bugs. CSRS does not have an emergency fund. Hatch Act funds are available to State agricultural experiment stations to provide a base of support for research on priority areas identified by the Director of the station. Decisions on the assignment of resources to this research as well as to the many other problems facing each individual State agricultural experiment station, would be made by the Director in the States involved.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

BIOTECHNOLOGY INITIATIVE

Question: The National Agricultural Research and Extension Users Advisory Board recommended that "interdisciplinary collaboration should be encouraged on an individual basis by restricting grant proposals in the new biotechnology initiative to the conduct of cooperative research of basic scientists with experiment station researchers." Would you please comment on this suggestion and indicate whether you support it?

Answer: Currently, scientists in the State agricultural experiment stations freely give and receive information and experimental material from others, from both land grant and non-land grant institutions. Such alliances commonly evolve into some of the most productive and innovative cooperative projects directly relevant to agricultural biotechnology. Thus, cooperative research is being developed through the initiative of the scientists themselves who recognize the benefits of sharing expertise, facilities, experimental tools, and materials. Since most of these associations are informally structured, no additional administrative costs are involved.

To restrict involvement of basic scientists to cooperative research with agricultural experiment station researchers will erect a barrier to the participation and needed contributions of many outstanding scientists from both public and private institutions who may not yet be ready to enter directly into a cooperative project with agricultural experiment station scientists. Past experience has shown that "forced" cooperative research can be less productive than that which evolves from the initiative of cooperators themselves. We should continue to encourage cooperative research but should not at this time make cooperative projects a prerequisite for funding.

Question: The Users Advisory group also recommended that all USDA competitive grants should include funds for training, equipment, operations and technology transfer. Please comment on this, indicating whether you support this idea.

Answer: In the course of conducting Competitive Research Grants, graduate students and postdoctoral personnel involved in the research are being trained in disciplines relevant to biotechnology. Equipment purchases are permitted on Competitive Research Grants when needed to carry out the proposed research but these generally are for items costing less than $20,000. Technology transfer is accomplished through published information in widely circulated journals, exchange of information among scientists at national and regional scientific meetings, and through visits of scientists to laboratories where new technology is learned. These activities, all a part of the normal process of conducting research, are supported by Competitive Research Grants funds awarded to the scientists.

1890 COLLEGES RESEARCH FACILITIES

Question: The budget proposes to provide an additional \$10,000,000 for research facilities at the 1890 colleges. Please provide the Committee with a report on how these funds have been utilized to date and whether there remain unobligated funds from previous years.

Answer: This program was designed to provide research facilities for the 1890 Institutions and Tuskegee Institute, to be carried out over a five-year period at an authorized level of \$10 million per year or a total of \$50 million. Funds were first appropriated in fiscal year 1983 at \$10 million, and in fiscal year 1984 an additional \$10 million is available. CSRS has on file a Five-Year Action Plan for each institution describing how the research facilities funds will be used. Also, each year the institutions submit research facilities proposals which detail the projects to be initiated during the year. Grants were awarded to the institutions in fiscal year 1983 and there were no unobligated balances. Grant awards for fiscal year 1984 are currently in progress.

Planning for the construction of new structures or the renovation of space requires the cooperation and commitment of college officials and State government officials. Semiannual performance reports are submitted by each college to CSRS. These reports indicate progress is well underway at each institution with grant funding provided in fiscal year 1983, as follows:

Alabama A&M University purchased land, constructed security fencing around research areas, constructed a poultry research facility, and purchased major research equipment.

Tuskegee Institute allocated funds to purchase land and renovate two research buildings with office and laboratory space.

University of Arkansas at Pine Bluff constructed an underground irrigation system, renovated the horticulture greenhouse, and constructed fish ponds.

Delaware State College purchased land and renovated greenhouses.

Florida A&M University renovated a soils lab, an ecology lab and office space; purchased research equipment and land.

Fort Valley State College purchased land and renovated greenhouses.

Kentucky State University purchased land for aquaculture research and planned the construction of aquaculture ponds.

Southern University, Louisiana, funds were expended to plan a multipurpose research complex.

University of Maryland-Eastern Shore initiated renovation projects for poultry research and small animal experimentation laboratories and planned the development of swine research facilities.

Alcorn State University, Mississippi, planned a research annex to the main agriculture building and developed plans for construction of a poultry research house.

Lincoln University, Jefferson City, Missouri, planned the construction of a swine research building and farm equipment building.

North Carolina A&T State University initiated three renovation projects for lab and office space.

Langston University, Langston, Oklahoma, purchased research equipment.

South Carolina State College planned for renovation of research laboratories.

Tennessee State University renovated research laboratory space.

Prairie View A&M University, Texas, planned and designed a research laboratory complex, constructed security fencing, and leveled research land for better drainage.

Virginia State University installed an irrigation system, upgraded field research plots and initiated plans for the construction of a research center.

ALCOHOL FUELS - NATIVE LATEX

Question: The budget proposes terminating funding for alcohol fuels research and native latex research under the special grants program. Please provide us a summary as to how these funds were spent in fiscal year 1983 and what alternative sources of funding exist to continue these research efforts.

Answer: In fiscal year 1983, seven Alcohol Fuels Research (Sec. 1419, P.L. 95-113) grants were awarded on a competitive basis. Research was conducted in California, Illinois, Indiana, Oregon and Virginia. This included support for developing an innovative fluidized micro carrier for immobilized yeast cell fermentation process and a project to examine the parameters associated with immobilized yeast cells in ethanol production. Butanol production was the major exphasis in two projects; one is examining the amplification of alpha-amylase through genetic engineering while the other is looking into cellular regulation. Cell membrane technology and the examination of the role of water in cellulose transformation are studies in theories important to the production of alcohols for fuels. Genetic engineering of yeast is another area of study with the objective of improving the agents of fermentation of biomass.

The request for 1984 proposals was published in the Federal Register dated January 9, 1984. Deadline for submission of proposals is April 6, 1984. Research on the evaluation (including economic), treatment, and conversion of biomass resources for manufacture of alcohol will be given emphasis.

Native Latex Research (P.L. 95-592) grants were initially funded in FY 1980 on a competitive basis and were supported for continuation in FY 1981-1983. Research was conducted in Arizona, California, New Mexico and Texas. The Native Latex grants have contributed significantly to information on guayule production practices, seed production, water utilization, salinity management, and the increase in rubber content through breeding and genetics.

Funds appropriated in FY 1984 will be awarded to continue essential research and development work now in progress as follows:

Foundation seed research - Arizona, California, New Mexico and Texas
Processing research - Texas
Germplasm and plant breeding - Arizona, California and Texas
Regional Trials - Arizona, California, New Mexico and Texas

No CSRS grant funding is proposed for these research programs in fiscal year 1985. Since these programs have been in operation for five to six years, certain projects have come to their natural end. Because of their proven worth it is anticipated that other projects will be picked up by the agricultural experiment station in the State now serving as host for the project. Amounts allotted to the States on a formula basis permit State institutions to fund research in those areas they identify as high priority and could be a possible source of funding for these programs if the States wish to continue the research.

BIOTECHNOLOGY FUNDING

Question: The explanatory materials indicate that the increased funding request for biotechnology will complement existing funding programs in USDA, NIH and NSF. How much funding is being spent in each of these other programs for biotechnology in FY 1984 and how much has been proposed for FY 1985?

Answer: The recent report by the Office of Technology Assessment, Commercial Biotechnology - An International Analysis, provides the following information of funding for FY 1982 for the three agencies involved in biotechnology related research:

NIH	$380 million
NSF	$14.5 million
USDA	$34.7 million*

* This includes work at the agricultural experiment stations.

Question: Please describe why the requested competitive grants for biotechnology will not be duplicative of work going on elsewhere within USDA, NIH or NSF.

Answer: Biotechnology research, as any research area, must be conducted to take advantage of independent initiative and a range of specialization of expertise, facilities, and instrumentation. We well recognize that this requires continual review and assessment of ongoing efforts in this country and abroad in order to avoid unnecessary duplication of effort. Within the USDA/SAES system there are project review committees within each institution involved, followed by review within the USDA. Proposals submitted for this initiative must include evidence of thorough review and knowledge of relevant, ongoing research. A very extensive review process occurs within the scientific system in which, through meetings, workshops, symposia, and colloquia, review and assessment of progress of research are made. Thus, in this process, deliberate planning to avoid potential duplication is initiated and implemented.

Regarding possible duplication of efforts supported by NSF and NIH, program leaders for the biological sciences in these agencies are members of our Policy Advisory Committee which helps plan and review the USDA programs. One of the major functions of this committee, composed of very knowledgeable scientists, is to avoid undesirable duplication in research. The people responsible for grant programs in the biological sciences in the various Federal agencies meet each month to exchange information about their grant programs. This frequent exchange is yet another effort to avoid unnecessary duplication of effort.

SMALL BUSINESS

Question: The explanatory notes indicate that in FY 1985 almost $2.5 million of CSRS funds will be utilized to support a small business set-aside as required by the Small Business Innovation Development Act. Please indicate specifically from which programs funded through CSRS these funds will be taken and how much will be taken from each.

Answer: The following table provides the information you have requested.

COOPERATIVE STATE RESEARCH SERVICE

Small Business Innovation Research Program

	FY 1985 Budget Estimate	Federal Admin.	Program		
			Total	Small Business (1%)	Payments to States
Hatch Act	$155,326,000	$4,409,889	$150,916,111	$1,509,161	$149,406,950
Cooperative Forestry Research	12,452,000	373,560	12,078,440	120,784	11,957,656
1890 Colleges and Tuskegee	23,300,000	699,000	22,601,000	226,010	22,374,990
Special Research Grants	15,482,000	464,460	15,017,540	150,176	14,867,364
Competitive Research Grants	50,000,000	1,500,000	48,500,000	485,000	48,015,000
1890 Research Facilities	10,000,000	400,000	9,600,000	- -	9,600,000
Federal Admin. (Direct)	225,000	225,000	- -	- -	- -
Total	266,785,000	8,071,909	258,713,091	2,491,131	256,221,960

QUESTIONS SUBMITTED BY SENATOR CHILES

BIOLOGICAL CONTROL

Question: Given environmental concerns over the use of pesticides, isn't it more important now than ever to focus attention on bio-controls?

Answer: At the present time there are urgent needs to refine and expand basic research designed to enhance our potential for biological control. Central to these needs are studies on the normal and abnormal biochemistry and molecular genetics of biological control agents and their interactions with their hosts and agricultural and natural resource commodities. The exciting new concepts and techniques to be explored in biotechnology provide an extensive opportunity to bring biological control into agricultural practices in a manner not heretofore possible. The biotechnology initiative proposed in the Competitive Research Grants program strongly addresses these opportunities.

Question: Would you tell us something about taxonomy and systematics research as it relates to bio-controls?

Answer: The safe and proper use of beneficial parasites, predators and pathogens for control of pests require an in-depth knowledge and understanding of, not only such agents themselves, but also of the targeted pest organisms, and the agricultural commodities to be protected. After exact taxonomic identification and classification of potential biocontrol agents, basic research addresses this issue via studies on ecology, behavior, physiology and genetics of beneficial agents and their interactions with pests and with commodities to which they are applied. It remains critically important that these investigations be conducted and that they be included in any decisionary process leading to release and use of biocontrol agents.

Question: It there any thought of expanding taxonomy and systematics research?

Answer: The adequacy of basic research investigations surrounding uses of potential biological control agents including classical taxonomic and systematic studies is under review. Research on population dynamics, community composition and diversity, and pest suppression phenomena including competition, hypovirulence, antagonism and hyperparasitism are important considerations. Also, biocontrol agent reproduction, host selection, alternate hosts and subsequent movement and dispersal need to be addressed. Cooperative State Research Service views that adequate basic research in these scientific areas is critical, and further, that the data obtained from these studies form the base upon which use decisions are made.

Question: What restrictions are imposed on funds for overseas research relating to bio-controls?

Answer: Many species of potentially useful biological pest control agents are not native to the United States. Research on such agents must be conducted in foreign countries or in United States' isolation facilities in conformity with Federal and State regulatory requirements on importation, quarantine, subsequent redistribution and release. ARS operates laboratories and conducts research in France, Italy, South Korea and Argentina to discover and develop promising biological control agents for use in U. S. agriculture. In addition, research data must be provided which addresses possible conflicts of interests that may arise as a result of biocontrol agent release.

BIOTECHNOLOGY

Question: Dr. Jordan, I am also interested in your views regarding biotechnology. I understand this is a promising research area and one that has tremendous potential appliction to agriculture. Would you tell us something about biotechnology and the new $28.5 million research initiative contained in the FY 85 budget.

Answer: Biotechnology has been chosen for a major initiative because of its potential impact on agriculture and because of the widespread scientific recognition that this area holds great promise for the future. Today agriculture has a unique opportunity to capitalize on the new techniques and concepts being developed in biotechnology to address major problems in agriculture. A major commitment of resources must be made in order to achieve full utilization of this new capability and to encourage those relatively modest efforts already begun. A great deal of information has already been obtained about the traits of plants and animals; however, a great deal more must be developed in order to fully exploit the emerging technology. The information so obtained will be coupled with advances in molecular biology and molecular and cellular genetics to develop new and better agricultural products, improve production efficiency and the quality of our environment, and to better conserve our natural resources.

The Division of Agriculture, Committee on Biotechnology, National Association of State Universities and Land-Grant Colleges in the report, Emerging Biotechnologies in Agriculture: Issues and Policies, Progress Report II, made an inventory of the current support in biotechnology by both the Agricultural Research Service and the State agricultural experiment stations and concludes there is an urgency for agriculture to make a substantial commitment of funds to a competitive research grants program in biotechnology research. The President's Science Advisor, the National Agricultural Research and Extension Users Advisory Board, the Joint Council on Food and Agricultural Sciences, and the National Academy of Sciences Board on Agriculture have all reported the same conclusion.

Each research grant should be of a size to maximize the productivity of the laboratory. Estimates run from $100,000 a year for a single investigator to $200,000 a year for a multidisciplinary team. Current levels of support of projects in the existing Competitive Research Grants program have been barely adequate to allow a scientist to establish and maintain a major research program. The $28.5 million for biotechnology, plus the $4.5 million proposed for animal science research, would put us at the authorized $50 million level for competitive research grants, and is needed to encourage those investigators trained in molecular biology and molecular and cellular genetics to tackle the very important problems of agriculture.

Question: I understand the Committee on Biotechnology of the National Association of State Universities and Land-Grant Colleges recommended a funding level of $70 million for this program. Do you believe the $28.5 million level recommended in the budget will be sufficient to properly implement the recommendations of this panel and start this program off in a proper fashion?

Answer: We believe the $28.5 million level recommended this year will provide a major thrust for this program, within the budget limitations with which we are faced, and will permit the successful launching of this major high technology effort for the nation.

Question: How was the $28.5 million level arrived at?

Answer: This level recognizes the major research recommendatious of the Division of Agriculture, Committee on Biotechnology, Progress Report II, November 1983, Emerging Biotechnologies in Agriculture: Issues and Policies. The $28.5 million request would selectively support high priority projects from among those identified in this study. This major national study not only assessed the work now underway, but also the potential for new initiatives and the research system's capabilities to respond. These national studies will provide a continuing assessment of research needs and progress.

Question: Would you detail how this $28.5 million will be allocated in terms of research, fellowships, and equipment?

Answer: These funds will be allocated solely for research. However, in the course of conducting this research, graduate and post-graduate students will be directly involved, and equipment directly related to a given project may be acquired with these funds.

Question: If the authorization for competitive research grants was increased, would you support additional funding for biotechnology research?

Answer: As has been indicated, the Committee on Biotechnology of the National Association of State Universities and Land Grant Colleges recommended a start-up funding level of $70 million for this program. We are particularly pleased with the strong support given to agricultural research in the fiscal year 1985 budget despite the urgent need to reduce Federal spending Competitive Research Grants are a unique and effective program for carrying out biotechnology research and we feel that the proposed $28.5 million initiative will provide a major thrust for this research in support of agriculture.

Question: The Committee on Biotechnology made three broad policy recommendations regarding biotechnology research. They are:

1. Structure, function and organization of plant, animal and microbial genomes.
2. Transfer, expression and regulation of individual genes and gene systems.
3. Genetic and molecular control of growth, development and resistance to physical and biological stress.

Do you agree with these three broad subject areas as the proper focus for this new initiative and as the basis for more specific research?

Answer: These broad subject areas are a proper focus for this new initiative in our view, and do indeed provide an opportunity to scientists to conduct extensive investigations in biotechnology designed to benefit agriculture and this nation. The new concepts and techniques to be explored and utilized will lead to vast and new potentials for our agricultural and natural resource developments in this nation.

Question: Would you resist efforts to earmark or target specific crops or industries for special research attention?

Answer: Frankly, we do not know how earmarking could be done effectively given the fact that the biotechnology initiative involves a broad range of basic rather than applied research. Ultimately, the emerging basic knowledge will provide new levels of technology which can be applied to specific crops and industries.

EXTENSION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

AGRICULTURE ECONOMY

Question: Farmers have been and continue to be under economic stress, greater than other segments of our society. What impact will a 10 1/2 percent reduction in funds for fiscal year 1985 to the Extension Service have on our farmers' surival and recovery?

Answer: Of the total proposed $35 million in reductions, only some $10.3 million directly relate to our farm programs. These are the Pest Management ($7.5 million), Farm Safety ($1.02 million), and Pesticide Impact Assessment ($1.716 million) programs. In most cases the high priority aspects of these programs will be maintained in most States and perhaps even enhanced through redirection from other lower priority programs, as critical needs for increased programming in these areas arise.

Question: Have the county and state partners kept pace with the Federal Government in levels of funding? What percentage of the total Extension Service dollars will come from these sources?

Answer: Our State and County partners have more than kept pace with the Federal appropriations for Extension. In FY 1984, we estimate that out of a total sum of $947 million, the percentage contribution coming from these and other sources is approximately 35 percent from Federal appropriations and 65 percent from State, county, and private sector sources.

SMITH-LEVER FORMULA FUNDS

Question: You mentioned in your statement that formula funds are currently being utilized in many states to enhance the earmarked programs. Can you give us some examples of this. Please provide more detailed information and examples of this for the record.

Answer: [The information follows:]

Urban Gardening: The Cooperative Extension Services in States that participate in the Urban Gardening program have contributed to the success of the earmarked funds by supplying technical support, materials development, office space, administrative management, and other types of services which enhance the programs. They have also used the educational methods developed by the Urban Gardening program to address the needs of other urban areas not included in the program.

Farm Safety: The best estimate available relative to the enhancement of this program by the States is: California, $40,000; Kansas and Michigan, $30,000 each; Missouri, $22,000; Arkansas, Illinois, Iowa, Indiana, Kentucky, Minnesota, Nebraska, New York, North Carolina, Ohio, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin, $20,000 each; Louisiana, Massachuetts, $15,000 each.

Pest Management: The following are estimates of FY 1983 expenditures from formula funds to support the ongoing Pest Management programs:

Alaska	$ 35,000
Arkansas	550,115
California	108,450
Georgia	531,700

Idaho	$5,900
Indiana	66,000
Iowa	34,000
Kansas	124,422
Kentucky	12,659
Louisiana	100,950
Maine	56,000
Maryland	96,000
Michigan	182,205
Minnesota	230,000
Mississippi	660,155
Missouri	159,090
Montana	15,000
Nevada	2,000
New Hampshire	9,000
New Mexico	102,386
New York	13,000
North Dakota	30,000
Ohio	80,000
South Carolina	389,000
South Dakota	22,721
Vermont	21,314
Virgin Islands	12,000
Wyoming	25,000
	3,674,067

State, local, and other public and private funds are also currently used to support the pest management programs.

EFNEP: Over 54,000 volunteers trained by professional staffs, paid in part from formula funds, contributed to EFNEP in 1983. They taught youth and supported the paraprofessional in teaching adults. Volunteers are also important in legitimizing the program in the community. Some States fund additional paraprofessional positions, some make in-kind contributions in providing support for professional positions, office space, equipment, program materials and personnel benefits. Formula funds also support Extension staff who prepare background information and conduct aide training sessions in related areas such as techniques for counseling, human growth and development, gardening, and resource management.

Question: Information provided to me indicates that the only formula funds available to the states are insufficient (only small increases for inflation have been provided the past few years) and already earmarked; therefore, no extra funds would be available to pick-up the program activities that are proposed for elimination. What evidence do you have that states can and would be willing to supplement these activities?

Answer: Let me reiterate that these earmarked programs would be less successful without some form of support from formula funds, which are currently being matched and usually exceeded by State appropriations. While it is very difficult to document exact amounts of formula funding going towards support of these earmarked programs, the fact that these programs will continue as outlined earlier, is evidence that States will continue to support these activities with formula funding especially if it is a critical need of the region. Continuing these earmarked programs without the 3d funding is simply not possible if some formula funds are not being diverted in support of these programs.

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Question: Despite a small increase in Smith-Lever formula funding, your Extension Service request is 10 1/2 percent ($35 million) less than last year's funding level. The primary portion of this cut is found in a 42 percent ($26 million) reduction in the nutrition education and training program (EFNEP), which teaches low-income families how to better use their food dollars, including their food stamps. Is this program not a good investment for the Government to reduce waste in the food stamp program while increasing the nutritional status of food stamp recipients?

Answer: Yes, the Expanded Food and Nutrition Education Program is a good investment. Food stamp families report that EFNEP has helped them manage their food stamps to last a month through improved shopping skills. Families also report they have prepared more low cost meals, consumed more nutrient dense foods including fruits and vegetables, and are less dependent on prepared and fast foods.

Question: What percentage of the total EFNEP funds are devoted to families on food stamps? On WIC? How many families does EFNEP assist?

Answer: Sixty-one (61) percent of EFNEP participation are food stamp recipients and twenty-two (22) percent are WIC recipients. In FY '83 EFNEP enrolled and taught 258,287 families.

Question: The explanatory notes indicate that in FY 1984 the Extension Service implemented policies related to the Expanded Food and Nutrition Education Program (EFNEP) to ease restrictions to allow more states more flexibility in providing low-income families with nutritional knowledge and practices necessary to maintain adequate diets. Since Congress did not approve the requested cut in EFNEP funding for last year, is the Extension Service proceeding with the implementation of these policies?

Answer: Yes, program policies were implemented in October 1984 to provide States flexibility in implementing the program.

Question: Will the full amount appropriated for FY 1984 ($60,354,000) be obligated?

Answer: Yes, each State has a potential low-income EFNEP audience who can benefit from education that will enable them to feed their families more nutritiously and manage within the resources available.

Question: What indications have you had that States can and would be willing to supplement the program if Congress should go along with the requested cut of $25.5 million in the EFNEP program?

Answer: Many states now are supplementing EFNEP. Although, some States are confronted with budget constraints which would make supplementing EFNEP difficult or impossible, we feel that the critical aspects of the program will be continued due to the States' concern in this area.

Question: How many sites would be eliminated if this cut is approved?

Answer: About 361 of 861 sites would be eliminated.

Question: Currently, how many workers are funded through EFNEP? How many would be eliminated if the cut of $25.5 million is approved? What changes would be made in the Washington staff? What is the average annual income of these individuals?

Answer: EFNEP has 4,873 paraprofessional aides and 533 professionals. The proposed funding level will eliminate over 2,000 program paraprofessional and 250 professionals. Although reduced funding for administration of EFNEP will reduce coordination, program representation and accountability at the Federal level, the Extension staff would not be effected. The average cost for a paraprofessional is $14,000. The actual salary depends upon the level of service, hours employed and State employment practices.

Question: What specific changes in the EFNEP program will be made if the reduction is approved?

Answer: In addition to the elimination of 361 of the 861 current sites, at least 11 States will receive funding of less than $175,000, the threshold for efficient program operation. American Samoa, Guam, Virgin Islands, and Micronesia will not receive any funding. The proposed funding level will eliminate over 2,000 paraprofessional and 250 professional positions, or almost half of the 4,873 aides and 533 professionals currently employed through EFNEP. The current annual enrollment of 258,287 families will be reduced by about 100,000. Estimated contributions from over half of the 54,250 volunteers will be lost from loss of staff, time for recruitment, training, and support. Funding now available for special studies which are needed to provide direction, innovation, and coordination with other agencies would be lost. Reduced funding for Federal administration of EFNEP will reduce coordination, program representation, and accountability needed at the Federal level. Fewer low income adults and youth will be taught how to prudently use available food resources and assistance programs to improve their diets and manage their budgets.

Question: What were the results of the pilot projects you conducted in cooperation with the Food and Nutrition Service in the six States?

Answer: In 1981-1983, Extension, USDA, participated in a cooperative agreement with the Food and Nutrition Service to evaluate three methods for providing nutrition education to low-income families, particularly, Food Stamp recipients. The experimental methods tested through pilot projects were: (1) Small groups; (2) Small groups plus follow-up telephone contacts; (3) Mailed lessons plus follow-up telephone contacts. All teaching methods were interspersed with one-to-one teaching home visits. The study findings focused on coordination, recruitment, program delivery, and the use of standardized curriculum. Preliminary results show that:

- Joint agency coordination and planning can result in better programs.
- Four of six States audiences in the pilot project had income and education levels higher than traditional EFNEP, but qualified for Food Stamps.
- A range of methods and tools can be employed by nutrition educators to offset budget constraints and balance more expensive methods.
- Structured standardized nutrition content can effectively be taught by paraprofessionals.
- Innovative recruitment practices can enhance cost efficiency, targeting to Food Stamp recruitment, resulted in greater numbers of Food Stamp recipients enrolling.
- Small group teaching was less effective than the structured one-to-one in sustaining participation, but achieved almost equivalent knowledge in food-related practices and dietary goals.
- Small group and mailed lesson methods were more cost-effective than the structured one-to-one approach but were not considered for wide application if other methods were feasible.
- All methods led to significant improvement in food-related practices (shopping, preparation, storage, and menu planning) and an increase in nutrition knowledge as measured by the nutrition knowledge index.
- Caloric intake declined and consumption of snack foods outside the four basic food groups decreased for all methods.

4-H PROGRAM

Question: What is the general trend in the 4-H enrollment these days?

Answer: State Extension Services continued to report some decreases in overall 4-H youth participation last year. At the same time, professional FTE's devoted to 4-H continued to decline, largely as a result of restricted State and local Extension budgets and some shifts of available resources to meet other demands. These decreases in staff and other resources are having a major impact on 4-H program expansion efforts at all levels. Last year, there were 4,347 professional FTE's devoted to 4-H compared with 5,410 in 1974--the peak year. In addition, there were 1,225.2 paraprofessional FTE's for 4-H last year, down approximately 200.

Of the 4.6 million youth in 4-H last year, 54.4% lived on farms and rural communities and 46.6% came from towns and cities over 10,000. Participation in 4-H school enrichment programs continued to expand last year while enrollments in organized 4-H Clubs and special interest groups dropped slightly. Many States are focusing attention on efforts to increase the numbers of youth in organized 4-H Clubs, considered to be one of the most effective methods for delivering 4-H programs to youth.

The number of volunteer leaders assisting 4-H programs last year was 619,309--about the same as the previous year, however, there was a 10,000 increase in teenage volunteers. Recruitment and training of new volunteer leaders as well as strengthening management roles for volunteers continued to be high priorities in most States.

A national 4-H needs assessment study was completed this past year and has been provided to all States as a basis for planning new 4-H program directions.

A national impact study to help measure the effectiveness of these volunteers is in progress.

A national 4-H needs assessment study was completed this past year and has been provided to all States as a basis for planning new 4-H program directions.

Question: How does this compare to enrollment some 5 years, 10 years, or 15 years ago?

Answer: The information follows:

	Rural (Farms, Non-farm	Urban (Towns & Cities over 10,000)	Total
1983	2,534,006	2,123,778	4,657,784
1978	2,882,119	2,353,223	5,234,342
1973	3,097,935	2,162,512	5,260,447
1968	1,625,506	756,959	2,381,465
1963	1,705,339	484,865	2,190,204

Enrollments include participation in organized 4-H Clubs, 4-H special interest groups and school enrichment programs, 4-H instructional TV, and 4-H EFNEP.

Question: What percentage of today's enrollment represents rural or farm communities and what percent came from towns or cities over 10,000?

Answer: Rural 4-H members constitute 54.4% of the total enrollment. Urban enrollment includes towns and cities over 10,000 and constitutes 46.6% of the 4-H enrollment.

Question: Are any efforts being made to explore new methods or techniques to increase involvement in organized 4-H clubs? With the tight budget constraints and reduced staff in recent years, it seems to me some work needs to be done in this area.

Answer: Many States are focusing attention on efforts to increase the number of youth in organized clubs. The "Extension in the 1980's" report supports efforts to..."enhance the quality of 4-H programs, particularly those that will encourage youth to remain in the program for a longer period."

The 4-H Volunteer Leader is key to success in 4-H club organization. The Extension staff continues to train volunteers for this important task.

The number of volunteers has grown in recent years but that growth has slowed with the decline in the number of Extension professional staff.

Question: What were the results of the 4-H needs assessment study which was to be completed in late 1982? Have some re-directions of 4-H resources been proposed? Please explain.

Answer: The 4-H needs assessment focused and stimulated discussion in five areas:

. staff development and training
. program development
. curriculum development
. finance and resource development
. organizational issues

One of the results of the needs assessment indicated the need for a 4-H project on computer technology. The Extension Service of USDA has funded a special needs project with the University of Kentucky to develop this material. The materials have been piloted in 11 States and are expected to be released to all States later this year.

States are expressing interest in replicating a needs assessment study in their communities to aid their program planning efforts. Thus, this national effort served as a model for States.

One of the documents produced by the needs assessment was a paper written by Dr. and Mrs. David Weatherford of North Carolina State University, titled "Societal Needs of Youth, Family and Volunteers." This report has received considerable attention and has served as an excellent stimulus for Extension staff.

We feel the needs assessment project was productive and one we have received encouragement to repeat on a 3-5 year cycle. We believe that there will be some redirection of resources to respond to this assessment. However, this will have to be measured over an extended period of time.

RENEWABLE RESOURCES EXTENSION ACT

Question: What is the basis for again proposing to terminate the Renewable Resources Extension Act?

Answer: Although we were pleased with the accomplishments of the Renewable Resources Extension Act, we had to place an even higher priority, given the limited resources available to us, on the funding for the base Extension system. We need to preserve the strength of the base system so that we can effectively use ear-marked funds like RREA.

Question : An expanded Renewable Resources Extension program is now underway in every State. Each has received an allocation since FY 1982. We have good reports, especially from the Southern States. Why then, is this program proposed for termination each year?

Answer : Every State (plus the District of Columbia, Puerto Rico, Guam, and the Virgin Islands) received RREA funds in FY 82, but in FY 83 and FY 84 we were instructed by Congress to target the funds. For FY 83 and FY 84, RREA funds went only to the 37 top-ranked States (ranked according to a resources formula). All of the Southern States were included in the 37 by virtue of their resources, and, as you say, we have had good reports from them. We propose to terminate the program each year because we place an even higher priority on continuing to fund the base program, since without a base program, we could not have used the RREA funds or other special earmarked funds for program expansion.

Question : How many States use some of their base funds for this activity?

Answer : Nearly every State, in which forestry and range are important, conducts programs in some aspects of renewable resource in its base programs but none have provided a comprehensive coverage of all the various resources included in RREA. The purpose of RREA was "to provide for an expanded and comprehensive Extension program." In their plans for RREA, the States recognized the need for 1,232 additional staff years, which translated at that time into $43 million. These plans were scaled down by the States to the $2 million level by including only the highest priority programs. Many of the lower-ranked States were encouraged by the $20,000 they received in FY 82 to think seriously about renewable resources for the first time. Delaware and the Virgin Islands, for example, began programs where there had been none before. Higher ranked States used RREA funds to expand their programs while continuing to fund the base programs.

Question : If Congress approves this elimination of the RREA, how likely is it that States will be able to take on more renewable type work with their base (Smith-Lever) funds?

Answer : Each State sets its own priorities, and could therefore continue to fund RREA-type programs without RREA funds, but at the expense of some other programs. If there were real increases in other funds available to the States, it is likely that States would take on more renewable resources type work with their non-earmarked funds. But when States are already cutting their programs because appropriations have not kept up to inflation, it is very difficult for most States to cut even further the high priority programs that remain in order to expand renewable resources programs. Only a few would be able to reallocate to this extent, and a few others might be able to find other funding sources. North Carolina has obtained partial support from industry for its RREA sawmill improvement project, for example.

Question : The Users Advisory Board has recommended $5 million for Renewable Resources Extension Act activities to "allow this important conservation program to be offered in all States." You, however, have requested elimination of the program. Why this difference in opinion?

Answer: We do not differ in opinion with the Users Advisory Board relative to the high priority of RREA programs. In establishing our overall priorities, we took a number of recommendations into consideration as well as other factors which we needed to consider in the priority-setting process. After going through the entire budget process, considering all the various needs, we had to request elimination of the RREA program in order to protect other priority programs, particularly the base programs. Despite this, RREA continues to be a high priority program which we would fund if our overall budget permitted.

1890 COLLEGES AND TUSKEGEE INSTITUTE

Question: What impact will level funding ($17,241,000) have on the 1890 colleges and Tuskegee Institute?

Answer: We believe that our State cooperating institutions at the 1890 colleges and Tuskegee Institute will be able to continue a strong Extension program even with level funding in FY 1985.

Question: Where and on what program has emphasis been placed in these institutions over the past 2 or 3 years?

Answer: Basically, the 1890's and Tuskegee Institute carry out programs specifically designed for limited resource and hard-to-reach minority groups in the areas of agriculture and natural resources, home economics, community resource development, and 4-H youth. These institutions have demonstrated success in helping these small farmers change to farm practices offering increased income; helping families with limited resources cope with inflation; helping youth become responsible citizens; and improving overall quality of living within the cultural context of the clientele.

PESTICIDE IMPACT ASSESSMENT

Question: Again this fiscal year, you propose to terminate the National Agricultural Pesticide Impact Assessment Program (NAPIAP). Would you please fully describe this program and what its accomplishments have been to date?

Answer: The National Agricultural Pesticide Impact Assessment Program (NAPIAP) purpose is to provide the most objective and accurate data available for defining and evaluating the benefits and risks of selected pesticides having critical agricultural and forestry uses for promoting informed decisions on all EPA, Rebuttable Presumption Against Registration (RPAR) pesticides within the framework of agricultural need for the pesticide, impacts on production of an adequate and safe supply of food and fiber for national needs and international commitments, and the likely impacts on human health and the environment. The NAPIAP, implemented in 1976, is a cooperative effort of nine agencies in the USDA with Extension and Research in Land Grant Universities, and State Regulatory Agencies.

Extension professionals having the background, experience, and understanding of local, State, regional, and national pesticide programs and pest control practices assemble benefit use information for retaining necessary pesticide uses for adequate food and fiber production. Their intervention helps ensure that needs and problems are brought forth and dealt with in a highly intricate and often controversial decisionmaking process. From this intervention, these same specialists can design their educational programs to help farmers and others use pesticides judiciously and comply with pesticide regulations.

Extension Service and eight other USDA agencies have established 29 assessment teams to address 47 pesticides under review in EPA's Rebuttable Presumption Against Registration (RPAR) process. These teams concluded that the agricultural economic impact of cancellation of the first 21 of these pesticides would be a cost of over $6 billion annually. Some critical pesticide uses for agriculture production have been retained on approximately 17 of the 30 agriculture pesticides. The NAPIAP has provided benefit/use reports to EPA for review in the RPAR process. This includes amitraz, benomyl, diallate, EBDC's, endrin, EPN, PCNB, thiophanate-methyl, toxaphene, triallate, treflan, and wood preservatives. The remainder of the pesticides are in some process of review which includes litigation proceedings. Examples of those in litigation which the NAPIAP is continuing to provide information as well as expert witness information are strychnine for prairie dog control and 1080 for coyote control. The current ethylene dibromide (EDB) cancellations are requiring the NAPIAP to provide benefit/use information on all the alternative chemical and non-chemical practices for fumigation of pest control in both stored grain and citrus. This includes both the export as well as import of these commodities. The EPA is using these reports for identifying regulatory options in the continued registration of pesticides.

EPA documents show regulatory options depend very much on reliance of benefits, use, exposure data, and drift from the USDA/State NAPIAP assessment reports. Several EPA "Position Documents 2 and 3" reference the NAPIAP assessment reports for determining these regulatory options. Examples are amitraz, benomyl, chlorobenzilate, dimethoate, EBDC's, endrin, toxaphene, and treflan. In proceeding forth, the EPA asks for the USDA/State NAPIAP concurrence and support for making its final "Position Document 4" determinations and transactions.

The States through the NAPIAP have been able to develop a large data base for collecting, storing, and retrieving pesticide use information. This data base not only provides a source of information to benefit/use and risk reports for registration of pesticides, but also is for making daily and up-to-date recommendations in pest control operations. This resulted in the establishment of the National Pesticide Information Retrieval System (NPIRS) in October 1983, managed by Purdue University and serviced by a private vendor. The NPIRS also contains both Federal and State registrations of pesticides. Both the EPA and State regulatory agencies have committed their support to keeping respective registrations updated on a continuing basis. The NPIRS now has over 90 users of the system including EPA, State regulatory agencies, Extension and research, and private sector users consisting of chemical companies, food manufacturers and processors, chemical dealers, trade associations, and individual commercial and private applicators.

Question: Please describe the Extension Service's involvement in the EDB controversy.

Answer: The Extension Service, as a member of the National Agricultural Pesticide Impact Assessment Program (NAPIAP), Ethylene Dibromide (EDB) Assessment Team prepared benefit and use information for the report "The Biologic and Economic Assessment of the Pesticide Ethylene Dibromide," June 1980. This report was prepared jointly by the USDA, States, and the EPA. Through the NAPIAP, and the EDB Assessment Team, the Extension Service has continued to provide additional benefit and use information to the EPA for determining regulatory options.

The Extension Service has the Departmental responsibility for informing the States as to the recent EPA emergency suspension orders for the uses of EDB as a fumigant on stored grain and as a spot fumigant on grain milling machinery, as well as the regulatory decisions for use on citrus. Copies of the announcement and supplemental information were sent to the States via electronic mail soon after EPA's release of the information. The State Extension Services in turn, relayed this information to appropriate public and private agencies and organizations, and the public at large. The supplemental information also included respective State regulatory information, State registrations of alternative fumigants, alternative methods of control, as well as fumigation safety and judicious pest control practices.

Following EPA's announcement on a Friday, Extension Service; Purdue University as the manager of the National Pesticide Information Retrieval System (NPIRS); and the Martin Marietta Corporation as the private vendor, worked over the weekend to have ready by Monday morning, an easily retrievable computerized parcel of Federal and State registered information on EDB and alternative chemicals for availability to the users. The NPIRS established October 1983, with NAPIAP funds, has the commitments of both EPA and State regulatory agencies to keep respective registrations updated on a continuing basis. The NPIRS now has over 90 users including EPA, State regulatory agencies, Extension and research, and private sector users consisting of chemical companies, food manufacturers and processors, chemical dealers, trade associations, and individual commercial and private applicators.

State Extension Services are including use of fumigants and safety in their educational programs to help farmers and others use pesticides judiciously, and comply with pesticide regulations.

Question: How are the 1984 funds being spent, by location?

Answer: The following is a list by location, where the fiscal year 1984 funds are being spent in the National Agricultural Pesticide Impact Assessment Program (NAPIAP).

Smith-Lever Act Section 3(d)	FY 1984
Alabama	$25,476
Alaska	8,528
Arizona	18,710
Arkansas	40,104
California	88,335
Colorado	19,778
Connecticut	11,387
Delaware	11,155
Florida	35,986
Georgia	56,499
Guam	8,665
Hawaii	11,409
Idaho	19,556
Illinois	79,949
Indiana	41,266
Iowa	76,744
Kansas	34,329
Kentucky	21,985
Louisiana	24,233
Maine	13,981
Maryland	17,127
Massachusetts	14,793
Michigan	33,665
Minnesota	51,628
Mississippi	40,376
Missouri	37,055
Montana	17,034
Nebraska	51,345
Nevada	9,872
New Hampshire	9,665
New Jersey	15,294
New Mexico	12,128
New York	30,538
North Carolina	45,990
North Dakota	21,338
Ohio	42,017
Oklahoma	27,810
Oregon	21,159
Pennsylvania	25,456
Puerto Rico	8,557
Rhode Island	10,575
South Carolina	26,672
South Dakota	20,266
Tennessee	23,877
Texas	78,280
Utah	11,776
Vermont	10,353
Virgin Islands	9,025
Virginia	24,058
Washington	27,439
West Virginia	11,658
Wisconsin	35,122
Wyoming	10,977
Special Projects	235,000
TOTAL	1,716,000

Question: Does this program receive any funds from the Environmental Protection Agency (EPA)?

Answer: The National Agricultural Pesticide Impact Assessment Program (NAPIAP) does not receive any funds from the Environmental Protection Agency (EPA) for Extension Service programs.

URBAN GARDENING

Question: The explanatory notes indicate that this program has been very successful. Yet, each year it is proposed for termination, fewer people have participated in it, and the staffing level has decreased. To what do you contribute the decline in participation?

Answer: The Extension Service's Urban Gardening Program in 16 U.S. cities has been very successful with increasing estimated value of production since its inception in FY 77 and its expansion in FY 78.

The decline in participation over the years reflects a decrease in staffing brought about by an increase in staffing costs since FY 78. The money ($3 million) used for this program has remained at the same level and has in effect decreased due to inflation and other factors since FY 78. However, participation has remained at the same level in the last two years.

Question: How many gardeners participated in this program in FY 1982 and 1983?

Answer: There were 174,000 participants in 1983 and about the same number in 1982.

Question: What is the value of the food they produced?

Answer: The value of food produced was over $17 million in 1982 and $18 million in 1983.

Question: Have any private funds been received by the urban gardening program in FY 1983. How much?

Answer: An estimated $950,000 was received by the cities from sources other than USDA for the Urban Gardening Program in FY 83.

Question: According to your notes, "this particular program... has served its purpose." Are you saying there is no longer a need for this type of program? Please explain.

Answer: One of the objectives of the program was to pilot an effort in Urban Gardening to demonstrate educational methods in urban areas. This objective has been met. However, the Extension Service is not saying that there is no longer a need for this type of program. The Cooperative Extension Services in the States could implement similar programs using methods explored and proven by the USDA Urban Gardening Program if they considered such programs as priorities and if funds were available.

TECHNOLOGY TRANSFER

Question: You stated at the hearing last year that because of tight budget constraints the "Cooperative Extension Service will have to explore every means possible through utilization of volunteers and new delivery methods to try to retain the important technology transfer," presently done so well by the Extension Service. Have you explored these means? What are the results?

Answer: A large number of State Cooperative Extension Services have developed many computer model programs, in order to aid in farm/ranch decisionmaking; increase efficiency of local governments in financial management; improve family food consumption habits and minimize food costs; increase outreach; improve instruction, and enhance the learning process of young people. Extension's experience with computers as a program delivery mechanism has proven to be rewarding. Given the prevailing environment of sharply reducing budgets, it could be the single most effective mechanism, with the possible exception of the use of volunteers, whereby the level and substance of Extension programs in all areas can be sustained.

Volunteers, supported and supervised by salaried staff, continue to be a key ingredient of the Cooperative Extension Service resources in every State. In fact, volunteerism is one of eight national Extension initiatives identified as high priority needing attention throughout the Extension system. Interestingly, electronic technology or the use of computer based programs is also included as one of the high priorities.

Question: Are there sufficient volunteers out there to do this adequately?

Answer: We believe that there are sufficient numbers now, but the demand for volunteers will increase during the eighties to further augment some 1.5 million volunteers already in the Extension system. Of the 1.5 million Extension volunteers, 570,000 work in the 4-H program; 600,000 are in the homemaker programs; and 400,000 in the agriculture, natural resources, and community and rural development programs.

Question: What are some of the "new delivery methods" being explored and considered?

Answer: [The information follows:]

Teleconferencing: Extension is using this method more to reduce state specialists travel and meeting time.

Extension Service Telecommunications System (ESTEL): A pilot program being developed with the University of Maryland Cooperative Extension Service. This is a computer managed information system for home, farm, or office combining the telephone and television to provide access to nationwide sources of information.

Cable Television: Used for disseminating nutrition, consumer, and agriculture information in many States. Multiplexing is being explored to provide for bilingual education dissemination.

Computer-based Training: Extension is developing many one-way training tools in the form of cassette videotapes and audiotapes, and is now exploring and working with other government agencies in the areas of education program delivery.

Satellite Technology: Although very expensive, Extension has been considering the use of satellite communications to transfer technology rapidly across vast areas.

Videodisc and Fiber Optics: As these technologies emerge the Extension Service will try to stay abreast and continue to evaluate their application to Extension programs.

Question: What efforts are being made to improve efficiency of information exchange between and among scientists, Extension specialists, producers, and consumers?

Answer: The advent of the microchip provides Extension with innovative capabilities for reaching wider audiences in terms of both numbers and scope of interest. Extension has the capability of ensuring that an adequate research base of information is kept up-to-date and available to users. Extension is presently working with ARS to put the latest research results into the national electronic mail network. This information is available to Extension specialists nationwide.

The Extension electronic mail network has surpassed surface mail and , in some instances, the telephone, to transfer instantaneous information to our State cooperators. Electronic mail is also used to access State plans of work , COIN, and specialized subject matter bulletins.

The National Pesticide Information Retrieval System is a computer network using information from 45 State organizations, 29 industry groups, and 11 federal agencies.

Payment-in-kind computer programs is a recent example whereby industry and users were provided information and tools needed for decisionmaking through electronic means. The computer industry used this program , which was available as soon as PIK was announced, and modfied it as changes and situations ocurred.

In addition, the electronic marketing of agricultural commodities is now reality which allows product marketing while goods remain on or near the farm. Through this system, producers and consumers can utilize computers to negotiate transactions. The State Departments of Agriculture, producers, and consumers cooperate in this program.

Question: The Joint Council on Food and Agricultural Sciences, of which the Assistant Secretary for Science and Education and the Administrator of the Extension Service are members, recommended a budget increase of $63 million to the Extension Service. Yet, you have proposed a $34 million cut in funding. Why the drastic difference?

Answer: The Joint Council on Food and Agricultural Sciences is one of a number of independent groups who expressed their views to the Secretary about programs and budgets for the Department in 1985. While we believe that Secretary Block took their recommendation into consideration, final decisions on Extension's budget result from the need to control Federal spending and reduce the high budget deficits.

Question: You also say, "We have...an excellent extension technology transfer program directly to American farmers. We should build on it." How do you plan to build on the extension program with a $35 million budget cut for the Extension Service?

Answer: Although we are proposing a $35 million reduction in the Extension Service budget which contains, incidentally, specifically targeted programs in such areas as nutrition, pesticide management and analysis, farm safety, and renewable resources programs, we are also proposing a $6.5 million increase in our formula funded or core programs which may be utilized by the State in enhancing their high priority needs including application of more advanced technology transfer techniques.

RURAL DEVELOPMENT CENTERS

Question: I note you have again requested no funding for the rural development centers. What is the Department's view of these centers? Does not the Department still feel these centers have been useful or helpful to the States' Extension Service's rural development programs?

Answer: The Extension Service believes that the four Rural Development Centers have been succesful in fulfilling their mission as outlined in the Rural Development Act of 1972. The Extension Service values the support role played in the Federal-State-local partnership through the Centers' efforts to reinforce and strengthen State Extension rural development efforts. The Centers have supported only projects that cut across State lines and involve faculty from two or more State Extension and/or research faculties. In this sense the Centers have been brokers in joining States, with similar rural development concerns, together in cooperative projects in order to develop needed educational materials, appropriate methodologies, and training programs. A large portion of the Extension work carried out by these Centers during the past year has been directed to assisting local government officials, as well as economic development efforts.

The Centers were created and are governed by their own Boards, with representatives from both the State Extension Directors and the State Experiment Station Directors. This type of local determination is in accordance with the Administration's emphasis on putting responsibility in the hands of State and local leaders. Therefore, we would hope that the States would contribute their own funds to support the Centers.

Question: Do you have any evidence that States belonging to the respective regions can or will assume support for the Rural Development Centers?

Answer: All four Rural Development Centers enjoy the support of their Extension Directors. Probably the strongest support is in the West, but there are specific indications of support from the other regions as well. For example, in the North Central region Extension Directors on the Center Board have instituted an effort for "representatives to the various legislative committees in NASULGC to support the inclusion of designated funding for the Center in development of future Federal budgets." The Southern Directors recently approved a new policy and procedures in support of the need for the Center. During the past year, the Northeast Directors have been undergoing an intensive and positive review of their Center, with five States indicating strong interest in hosting the Center on their campus.

However, with limited State budgets, it is unlikely that States will annually contribute State funds to support regional projects, such as the Regional Rural Development Centers. The Extension budget alone for each of the four Centers is $125,000, with a comparable amount for research projects. In fact, the States do support the Center through contributed Extension and research faculty who work on Center projects and programs. One Center indicates that in any one program year, a conservative estimate of contributed State senior faculty time would total 10% of 50 faculty members. Figured at an average faculty rate, such contributed resources would easily total $200,000 -- more than matching the Federal contribution. (This contributed faculty time does not include in-State operational support costs.) These State contributed resources are similar in all four Centers.

SOIL CONSERVATION EFFORTS

Question : I am aware that Mississippi's Extension Service has established some demonstration farms to show farmers throughout the State that soil loss can be reduced. As I recall, conservation tillage is practiced on these farms. Is that correct?

Answer : Yes sir, conservation tillage is an important component of the 11 Resource Conservation Management Farms that have been established in northern Mississippi.

Question : Can you give me further details on the results of this practice in Mississippi?

Answer : Some form of conservation tillage was used in 1983 on nearly 300,000 acres of corn, 60,000 acres of sorghum, 750,000 acres of full season soybeans, and 290,000 acres of double cropped soybeans in Mississippi.

Question : Can soil loss be reduced?

Answer : Conservation tillage can result in dramatic decreases in soil erosion on the erosive soils of northern Mississippi. The results may be similar in the delta, but are less dramatic on these flatter landscapes. In some situations, the use of conservation tillage is sufficient to reduce erosion to acceptable levels; in other situations, structural measures may also be required.

Question : How much emphasis does the Extension Service place on conservation of our resources?

Answer : The Extension Service is placing a great deal of emphasis on the management and conservation of the Nation's soil and water resources. We recently conducted a national Extension workshop to focus attention on the importance of such programs. We have asked each State to name a contact person for conservation tillage. The Extension Committee on Organization and Policy has formally supported increased program efforts for soil and water conservation education.

Question : What are some of Extension's programs that encourage conservation of resources?

Answer : The Extension Service has been involved in many resource conservation programs. We are an active participant in the Rural Clean Water Program, comprised of 21 separate projects. We play an active role in the STEEP Extension program in the Pacific Northwest.

We are a participant in the Colorado River Basin Salinity Control Program. There are active Extension programs addressing soil and water conservation in nearly every State. There will be an estimated 280 professional full-time equivalents devoted to such programs in 1984.

Question: Would the proposed reductions, if approved, have any impact on your conservation efforts?

Answer: The proposed reductions would have no direct impact on our conservation efforts. They would however, require the State Directors to evaluate their programs and priorities, and this could result in some shifts of resources from conservation programs to other priority program areas.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

4-H PROGRAMS

Question: We are all aware of the need to trim expenditures in this time of high budget deficits. I have read your budget request for FY 1985 and can see that there has been a significant decrease in the request from FY 1984. In my state of Idaho, we have seen a large decrease of Extension personnel and monies for 4-H and Extension programs. I was recently visited by members of the Ada county advisory council who work closely with the 4-H programs and are members of the Idaho Extension Homemakers Council. They have, as private citizens, taken up some of the slack in the 4-H programs created when federal funding was cut back. They have done a terrific job and have succeeded in providing new, innovative programs to interest high school age youngsters in business programs. At the same time they have found innovative ways to fund their scholarship programs. If you are not aware of this program I have enclosed a copy of an article taken from the National 4-H News which explains the program. Do you have a way of recognizing individual efforts such as described in the article? Is there a way such a program could be further incorporated into regular 4-H programs?

Answer: The article in the National 4-H News you referenced on the Ada County Advisory Council program in Idaho is an excellent example of volunteers serving in educational roles and in roles of key leadership with 4-H youth. Extension Homemakers across the United States have a long history of support and work with 4-H.

When need has existed because of local, state or federal budget reductions these citizens such as councils and homemakers have been quick to respond to assist with their time and talents in support of 4-H and the total Extension program.

Examples such as you have identified are circulated through efforts of the National 4-H News, published by the National 4-H Council. The National 4-H News has a circulation of 70,000 with an estimated readership by 4-H volunteers of over 200,000. The national accountability and evaluation data base of plans and reports of Extension programs also serves to extend the knowledge about good examples of 4-H utilization of activities.

It is important to remember the value of the Extension professional who recruits and trains those 600,000 volunteers. The professional provides the linkage between the USDA, the land grant university and the volunteer. The Extension professional is essential to ensure our programs remain educational and contain the latest research and methods. In 1983 4,347 Extension professionals worked with 619,309 volunteers who worked with 4,656,784 4-H youth.

Private fund raising activities have provided excellent support for Extension throughout the history of the program. The National 4-H Council, many state 4-H foundations and local groups have continued to provide essential financial support for award programs to high achieving 4-H youth and for general support of the program.

THEY MEAN BUSINESS—A 4-H EXPERIMENT IN FREE ENTERPRISE

For 35 years, the Ada County Advisory council's main source of revenue has been the sno-cone booth at the Western Idaho State Fair. Over the years, volunteer 4-H leaders have run the booth. As the fair grew and 4-H clubs multiplied, the drain on their time and energy became too much for leaders who also had their own clubs to shepherd through the fair. In 1974, a senior member of the youth council was hired to manage the booth for the full week of the annual event. Clubs throughout the county volunteered their time, but the major responsibility for coordinating this project fell on the inexperienced shoulders of the teenage manager. Acting as purchasing agent, bookkeeper, labor negotiator and janitor during the 12-hour days strained the resources of the most capable 4-H'ers. Even with five percent of the gross as salary, few managers would take on the responsibility a second year.

In the fall of 1981, newly elected president of the Ada County advisory council Barbara Hartell initiated a pilot project that she hoped would make the booth project more manageable. A 4-H business club, with sno-cones as their product, could give teenagers managerial skills and some knowledge of business procedures. This project would fit in with the commodity marketing project and the county's yearly business survey tour; it might also draw the interest of urban teens who often dropped out of the 4-H program when they entered high school. In addition, when fair time came around, members of the business club could then take turns managing the booth for one day each.

With her home economics degree and 15 years' experience as a leader, Barbara was not afraid to tackle the paperwork involved in starting a pilot project. Her husband Ken frequently had been called upon to help out with special 4-H projects or events in the past and cheerfully offered to assist with the logistics of moving equipment and supplies. Still, someone with a variety of business experiences was needed to give the kids a well-rounded knowledge of the business world. The father of one of the youth council members was just starting a small business. He also had 25 years' experience in many phases of the corporate world on both the east and west coasts. Jim Glancey agreed to join Barbara and Ken as advisors in this new 4-H venture.

Getting started

They borrowed portions of the Junior Achievement format, and Barbara scrounged information for a record book from several sources. The kids, all students in ninth through twelfth grades, would:

- Purchase five shares of stock at $1 each.
- Manage or work for a minimum of two hours on a job.
- Attend five meetings.
- Give a demonstration talk to younger 4-H'ers.
- Make a poster to use in the 4-H booth at the fair.
- Manage or co-manage the booth for one day.
- Complete a business club record book and story.

The advisory council was issued half the outstanding stock since they were supplying the capital equipment, the two sno-cone machines.

Twenty-five kids came to the first meeting, held in February 1982. None

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Rita Glancey prepared this article from first-hand knowledge of the experiences of the Ada County, Idaho 4-H business club.

of them knew what a business club was although some had participated in Junior Achievement at school. It was also rumored they might get paid for working at the same functions they were already doing for free. In a year when teenage employment was so scarce, this was an additional incentive for the club.

Officers were to be president, vice president of administration, vice president of marketing, vice president of finance, and vice president of production. As in any organization, the president's responsibilities were to oversee the club's activities and provide general direction. Promotion and sales came under the jurisdiction of the vice president of marketing. The vice president of finance kept the books and issued the stock certificates and checks. Tending to the supplies, equipment and available manpower was the responsibility of the vice president of production.

At club meetings, reports of past events were given and new prospects discussed. Members also examined the structure of different businesses and the fluctuations of the stock market. The club closed out its books in early August right before fair time. Their profit and loss statement showed they had made a 22 percent profit on each share purchased six months earlier. Twenty-four teens had participated in six events, and ten of them completed record books for the fair.

Fair time 1982 came around, and two members of the business club managed the booth each day. Each manager was paid an hourly wage. One advisor assisted with the 11 a.m. opening while another helped with the closing at 11 p.m. Glowing reports came back to the teenage managers and their advisors. The booth was so tidy and efficient it was a credit to the whole 4-H section of the fair.

That year the advisory council made $1,800 net profit. Seventy-five percent of this money was used for club scholarships and awards. The remaining twenty-five percent went to the youth council to which most of the business club members also belonged.

The club opened its second year in the fall of 1982, this time with eighteen members. There was a little more competition in town since several other groups were also using sno-cone machines as fundraisers. The vice president of marketing put together a list of schools and retail businesses and sent out flyers that actively promoted their product for school carnivals and sidewalk sales. During the promotion, business club members discovered that money could be made on their capital equipment and supplies by renting them to groups like the Optimists, who had volunteers available but no equipment or supplies. When the Special Olympics were held at Boise State University, the club found a very appropriate way to complete their community pride project. They set up a sno-cone booth at the after-dinner carnival and provided over 1,200 free sno-cones to the Special Olympic athletes and their coaches.

A growing success

The year ended with what might be considered an unrealistically optimistic view of the investment world. Because the club had learned to use their resources wisely—renting equipment and controlling inventory, for example—each investor earned 100 percent return on the original $5.00 investment. Fair time 1983 went even more smoothly than the first year. Pride in the achievements of the past year was evident in the number of teens who showed up the opening day of the fair. Most of the members just stopped by to see if help was needed.

Although the days were long, and all had other projects to work on, two managers were on hand each day, with the exception of the final day, when there were three. The two scheduled managers also had signed up as escorts for the style revue, so Thursday's manager jumped right in to help out.

The advisory council received $2,020 from the proceeds even though gross sales were off by 8 percent because of cooler weather the last three days of the fair. The club could still turn in a more profitable year than previously because expenses were better controlled.

Barbara Hartell's idea for solving an immediate advisory council problem seems to have had an impact on other areas, too:

- Several junior high club members changed their minds about leaving 4-H after hearing a business club manager describe the club as well as scholarship and travel opportunities.
- The sno-cone booth itself, focusing on teen 4-H'ers' achievements, has become another source of pride for members, leaders and agents to share with the community during the fair.
- Four former club members are in college pursuing majors in business administration.
- Club members have been invited to compete for a scholarship to a business week program held during the summer months at Boise State University. This event, sponsored by the business community, is usually open to young people only through the school districts in Idaho.

Putting skills and knowledge to work in practical experiences like the business club is the foundation of the 4-H program. The positive influences and increased self-esteem resulting from their participation has had far reaching effects on both the young people and their community. □

QUESTIONS SUBMITTED BY SENATOR HATFIELD

RENEWABLE RESOURCES EXTENSION ACT

Question: In the USDA budget justification it is mentioned that, "there is an on-going program in nearly every State in which private forests and rangelands are important, using Smith-Lever 3(b&c) funds, and State and county matching funds." Could you provide for the Committee a breakout by State of the source of funds used and the activities being pursued in those programs during FY 84?

Answer: Other than for Renewable Resources Extension Act funds, we are unable, at this time to furnish the precise amount that each State is directing to Natural Resource Extension programs in 1984. Our best estimate is that the size of the program in 1984 is about $15 million, and that figure includes Federal Smith-Lever, and State and local contributions. This does not include Renewable Resources Extension Act funding. The Federal Smith-Lever portion is less than 40% of this total, but we cannot state exactly how much since many States overmatch the Federal amount in total, and States are not required to report exactly how much was used to match each specific program funded by Smith-Lever formula funds.

The activities being pursued by the States through the expenditure of these funds are for Extension education programs, in one or more of the following five categories: Forest Land Management and Wood Utilization and Marketing; Rangeland Management; Fish and Wildlife Management; Environmental Protection; and Outdoor Recreation. Recipients of these educational programs are landowners, users, managers, processors, youth, and policy decisionmakers.

Question: The USDA document also mentions that "other Cooperative Extension Service funds will continue to be used to conduct educational programs for small, private, non-industrial forests and rangeland owners where appropriate for FY 85." Could you provide for the Subcommittee a breakout by State of what activities will be pursued in this program in FY 85?

Answer: Again, we are unable to furnish an exact amount of what each State is devoting to educational programs for small, private forest and rangeland owners through their base program. We would expect that their base program for FY 85 would be similar to their base program of FY 83 and FY 84 and in the same five categories: Forest Land Management and Wood Utilization and Marketing; Rangeland Management; Fish and Wildlife Management; Environmental Protection; and Outdoor Recreation. However, we are aware that the States are also faced with other budget cuts and, in light of decisions that may have to be made on overall priorities, the base programs may have to be scaled back.

Question: What activities or functions were funded by the $2 million Congress provided for the RREA in FY 84 that the States would not have been able to undertake?

Answer: Thirty-seven States shared the $2 million of RREA funds in FY 83. These States funded expanded educational programs in the following functional areas: Forest Land Management and Wood Utilization and Marketing - 73.1%; Rangeland Management - 9.6%; Fish and Wildlife - 11.4%; Environmental Protection - 3.8%; and Outdoor Recreation - 2.1%.

Some of the activities being funded are included in the following examples: Two hundred Southern counties have formed county forest productivity committees to develop methods for improving yields and profitability from timber growing. In conjunction with this, a Southwide pine regeneration program is beginning to reforest harvested areas which, without attention, would revert to less desired species. Also, some States have added utilization and timber harvesting specialists to better utilize forest stands through efficient harvesting and increase the value added in the wood manufacturing industry.

In addition, these resources have been used to provide educational programs for ranchers that have increased the production of forage, while protecting the environment. Fish and wildlife educational programs have emphasized habitat improvement and wildlife damage control.

Question: What is the potential resource available on small, private non-industrial forest and rangelands? What role will the development of this resource play in meeting projected resource needs?

Answer: Nearly 8 million private forest landowners control 58% of the Nation's commercial forestland. When compared with the 20% of the Nation's commercial forests on Federal lands and 14% on industrial lands, it indicates the importance of the Nation's private, non-industrial forestlands. Because of the number of owners and their patterns of tenure, the need for educational programs that stimulate investments and increase management on private forestlands is large and continuing. Current natural resource assessments indicate these lands are producing only 1/3 to 1/2 of their productive potential. All studies of this issue point to an unrelenting need for educational programs for forest landowners, processors, managers, and users to increase the investments that will extend the products from these lands to meet National needs for the next 20 to 50 years and beyond. These lands are especially critical if wood export markets are expanded.

Grazing of rangeland, forest, and pastureland is an important use for 54% of the Nation's land base. Sixty-four percent of the Nation's rangeland is privately owned and managed. In addition, grazing is permitted to private individuals on public rangelands. Currently these rangelands produce at only 40% of their potential with RPA assessments predicting that 57 million acres of rangeland will be lost to other land uses by 2030. In 1981, most of the Western rangelands were improving, but 54% remained in poor to very poor condition and in need of improvement. Given these loss projections and current range conditions, educational programs will be needed to stimulate investments in improved management practices on these private and public lands to meet future National grazing needs.

Question: Are the funds provided through the RREA, Smith-Lever 3(b&c), and State and county matching funds adequate to meet the need of developing small, private, non-industrial forests and rangelands at the present time? For the future?

Answer: The current levels of funding provided through the RREA, Smith-Lever 3(b&c), and State and county matching funds are far below the States needs as expressed in the first five-year RREA plan and are inadequate to meet the critical needs for developing small, private, non-industrial forest and rangelands. However, we believe that, in view of the overall Federal budget deficit, increased educational investments for these lands can be deferred. The future level of funding needed will depend upon a number of factors, including: timber sale levels, levels of permitted grazing, and wilderness set asides on Federal lands; timber drain and reforestation/management investments on industrial lands; tax and financial incentives for private forestland owners; domestic building construction demands; expansion of wood export markets; demands for red meat; the extent of losses of grazing and forestlands to other uses; demands for wildlife habitat; water quality problems; and increased demands for public recreation on private lands.

RURAL DEVELOPMENT CENTERS

Question: Are the rural development centers effective in stimulating and supporting rural development research and education activities across the nation?

Answer: The Centers provide a regional pool of research expertise that benefits research in each of the States in its region. The ability to focus this expertise on mutual problems and to coordinate activities at a regional level is a unique feature of the Centers. This makes them an effective research support mechanism to both regional and State related research. The Centers also provide "seed money" to help researchers develop proposals for funding from other sources, including the private sector. In this fashion, they can be very effective in leveraging the value of the research dollars committed to them.

From the Extension Service perspective we believe the four Regional Rural Development Centers have been effective mechanisms to stimulate and support rural development research and education activities. In particular, we believe the Centers have been effective in fulfilling their information/education mission as outlined in the Rural Development Act of 1972. The Extension Service values the support role played in the Federal-State-local partnership through the Center's efforts to reinforce and strengthen State Extension rural development efforts. The Centers have supported only projects that cut across State lines and involve faculty from two or more State Extension faculties. In this sense the Centers have been brokers in joining States, with similar rural development concerns, together in cooperative projects in order to develop needed education materials, appropriate methodologies, and training programs. A large portion of the Extension work carried out by these Centers during the past year has been directed to assisting local government officials, as well as economic development efforts.

The Centers were created and are governed by their own boards, with representatives from both the State Extension Directors and the State Experiment Station Directors. This type of local determination is in accordance with the Administration's emphasis on putting responsibility in the hands of State and local leaders.

Question: Could you provide specific examples of activities that are being pursued by the centers in each of the regions?

Answer: Examples are: (1) Both the Southern and North Central Centers have sponsored research and development on the adaptation of computer technology to the needs of local, particularly rural, governments. The results of this are that county and other local officials, who are frequently only part-time public servants, have adequate information on how to install and use small computer systems to help them manage public resources more effectivly. (2) The Northeast Center sponsored a research conference on groundwater management which brought together scientists in the fields of hydrology, chemistry, and social science to plan a comprehensive research program on the protection of water resources. Through the application of multidisciplinary research and development efforts, the availability of water resources for public use and industrial development will hopefully be increased. (3) A study sponsored by the Southern Center, examined the impacts of population change on the demand and cost of public education in rural America. While the research found no relationship between overall expenditure per pupil and academic achievement, there was a significant relationship between teachers' salaries and academic achievement. (4) Another Southern Center sponsored study found the FBI Uniform Crime Reports tended to underestimate crime in rural areas, because up to one-half of crimes in the study area went unreported to any law enforcement agency. Despite relatively high incidences of rural crime, many rural residents were not using simple security practices that would discourage or deter offenders. (5) The Western Rural Development Center is currently sponsoring a series of workshops which focus on communities in economic transition, including "boom towns" as well as those in economic decline. In these workshops, community leaders are taught the fundamentals of economic analysis which they can apply to their own community situation and, by the process of "self help," generate better public decision making capabilities. A similar project by the Western Center helps to train community leaders in a broad context. Participants in the Family - Community Leadership Project have concentrated their study on a wide range of community and family issues. Traffic signals installed in Carlsbad, New Mexico, and the landscaping program for a senior citizens center in Gunnison, Colorado, are visible signs that action by FCL volunteers produces results which change their communities for the better.

The following are additional areas of research and extension activity at the four centers:

Western Rural Development Center - Rural libraries and information for rural community decisionmaking, public service satisfaction and rural economic structures.

Northeastern Rural Development Center - Alternative arrangements for provision of community services, New England Rural Leadership program, rural community economic development, and land use policy.

Southern Rural Development Center - Manpower development (structural unemployment), water policy, small business management, and CRD training.

North Central Rural Development Center - Rural crime and vandalism prevention, small business management and development, community energy efficiency, mid-America future, and community (local government) leadership.

Question: Do the centers receive funding support for these activities beyond monies provided through the CSRS and the Extension Service? If so, could you provide a breakdown of that assistance?

Answer: For the information/education portion of the Centers' budgets, Extension provides $125,000 for each Center. In addition, the States support the Centers through contributed Extension and research faculty who work on Center projects and programs. One Center indicates that in any one program year, a conservative estimate of contributed State senior faculty time would total 10 percent of 50 faculty members. Figured at an average faculty rate, such contributed resources would easily total $200,000 — more than matching the Extension Federal contribution. (This contributed faculty time does not include in-State operational support costs.) This level of State contributed resources would be similar for all four Centers.

In addition, some of the Centers have developed projects supported with non-governmental funds. The Northeastern Center administers a $752,000 Kellogg Foundation grant program, New England Rural Leaders (NERL). In the West the Center administers another Kellogg Foundation grant program ($1.9 million) on a Family Community Life (FCL) to bridge between family and community leadership. There have been other funding sources, including a completed Bechtel Corporation grant concerned with the community issues of hazardous waste sites.

The research programs of each of the Centers are principally based on funding from PL 89-106 Special Research Grants. The Northeast and North Central Centers have received supplemental support for regional research from Hatch Regional Research funds approved by the State Agricultural Experiment Station Directors in their respective regions.

Question: Are the rural development centers supported by the Directors of the State Extension Services?

Answer: All four Rural Development Centers enjoy the support of their Extension Directors. Probably the strongest support is in the West, but there are specific indications of support from the other regions as well. For example, the North Central Center's Board has initiated a positive process through which the two regional directors associations (Extension and research) are discussing the continued support for the Center. The Southern Directors recently approved new policy and procedures in support of their Center. During the past year, the Northeast Directors have been undergoing an intensive and positive review of their Center, with five States indicating strong interest in hosting the Center on their campus.

Question: Would funding under Smith-Lever section 3(d) be a more effective means of providing funding for the four centers? If so, would the Department support this approach?

Answer: After the enactment of the Rural Development Act of 1972, and until that authorization expired in 1980, the Rural Development Centers were funded by the authorization. Since 1980, at the direction of Congress, the Centers have been funded out of the Extension Service administrative budget. This type of funding is not the most ideal method for funding regional rural development projects. However, Title XIV, Section 1444, of the 1981 Farm Bill authorizes and amended the 1972 Rural Development Act to fund the regional Rural Development Centers, but the authorization has never been funded.

QUESTIONS SUBMITTED BY SENATOR CHILES

PEST MANAGEMENT

Question: What was the Science and Education Administration's recommendation for Pest Management Extension and Research?

Answer: At the time Science and Education Agencies submitted their budget requests for FY 85 to the Department they were required to use the President's FY 84 Budget request to Congress as a base funding level. This level did not include Smith-Lever earmarked funds for Pest Management in the Extension Service. Due to the need to stress Smith-Lever formula funds as the primary mechanism for strengthening extension programs nationwide and the extremely tight budget constraints under which federal agencies operate, Extension did not recommend reinstatement of these funds at that time. ARS recommended $10 million for Pest Management efforts. The CSRS request totalled $3.3 million in this area.

Question: Given the increasing problems with chemicals in the environment and the fact that the Pest Management funds are distributed on a formula that reflects need, why didn't the Department recommend an increase in funding for Integrated Pest Management?

Answer: In developing the FY 85 request for these Smith-Lever earmarked funds, the Department supported the criteria used by the Extension Service. This was to seek increases in formula funds to address high-priority concerns throughout the extension system and to set program and budget priorities within the increasingly constrained federal budget. This did not allow for expanded efforts in programs that were pending elimination in the Administration's current fiscal year budget request.

RREA PROGRAM

Question: What was the Science and Education Administration's recommendation for the Renewable Resources Extension Program?

Answer: Extension Service requested $10 million in FY 83, $6.5 million in FY 84 and $4 million in FY 85 for RREA programs.

PESTICIDE IMPACT ASSESSMENT

Question: What was the Science and Education Administration's recommendation for Pesticide Impact Assessment?

Answer: Once again when Science and Education Agencies submitted their budget request the base funding level did not include earmarked funds within the Extension Service for this program. Higher priority concerns were addressed and no request to reinstate these funds were made at that time. ARS requested $825 thousand and CSRS $2.1 million for this activity.

Question: How does the Department plan to assist farmers and ranchers in obtaining environmentally safe and effective materials to protect our food without degrading our renewable resources?

Answer: Although the FY 85 Budget request for the Extension Service does not include earmarked funding for Pest Management or

Pesticide Impact Assessment, the Cooperative Extension System (CES) will continue educational programs in crop and animal protection through the use of formula funds and State and local resources. Additionally, CES will conduct programs in pest management and training for pesticide applicators with assistance from The EPA. These programs include insect, disease, predator and weed management control in a safe and efficacious manner. Pesticide applicator training assures that the knowledge is available to use chemicals safely.

Cooperative State Research Service will continue to support research through the Cooperating State Institutions to develop environmentally safe pest control programs that provide the greatest benefits to farmers and ranchers and the general public. Funds appropriated to CSRS for the National Pesticide Impact Assessment program are used to provide research data for decisions related to the safe and efficacious use of pesticides. This research promotes the significance of State, as well as Regional interests and encourages consideration of their needs in national pesticide issues and regulatory decisions. Data generated through this program in the areas of environmental fate, crop loss, human exposure, application technology and pest resistance to chemical controls continue to provide a strong background for environmentally sound pest management programs.

In addition, CSRS has played a key role in cooperative efforts with Purdue University to develop and implement the National Pesticide Information Retrieval System (NPIRS), a computerized network which provides the latest information on pesticide products registered by EPA and participating state regulatory agencies. This system is now available to the public for nominal membership and user fees.

NATIONAL AGRICULTURAL LIBRARY

QUESTIONS SUBMITTED BY SENATOR COCHRAN

BLUE RIBBON PANEL

Question: Mr. Howard, will you please provide for the record a copy of the summary of the meeting of the Panel which took place last October.

Answer: The following is the summary of the meeting held October 8, 1983, with members of the Blue Ribbon Panel.

Administrative Reorganization

With the establishment of NAL as an independent agency, NAL has taken certain steps to become more self-sufficient administratively. These include:

Hiring an executive officer
Acquiring a budget officer
Transfer of financial management to NAL
Consolidation of bookkeeping activities in NAL
Transfer of building management back to NAL

Staffing

The position of Executive Officer has been filled. Authorization has been given to filling the position of Chief of the Information Access Division. The positions of Chief of Information Systems Division, and Head, Indexing Section need to be filled soon. In addition, help is needed in the areas of collection development, networking, and database management. We need to consider how help can be given to the National Arboretum Library. Consideration needs to be given in the internal reorganization to assign long-term employees to new jobs.

Plans for new staff include hiring people with MSLS degree plus an academic degree in an agricultural science. Hopefully, we can break-down all agricultural science into "pockets" with specialists covering them. These specialists would work with and relate to USDA specialists in that subject area, answer indepth questions, work with the NAL cataloging and indexing staffs, make recommendations for the collection, and be able to look at an assigned field and determine what type of information tools are needed which are not now available.

Two people were added to the Interlibrary Loan staff early in Calendar Year 1983.

Food & Nutrition Information Center

The Center has officially been transferred to NAL, but at a very low staffing and funding level. We are considering how the Center can be incorporated into the library structure so that we can bring it back up to the level of service prior to cuts several years ago.

Budget

FY83: Status of roof. Contract let to re-roof wing structure in combination with contract for installation of a solar unit funded by a grant of $600,000 from Department of Energy. In FY85, we hope to re-roof tower structure.

FY84: NAL is currently operating under continuing resolution at the House level; in a time of retrenchment, NAL is happy with the possible $1.1 million increase.

FY85: NAL will continue to use the report of the Blue Ribbon Panel as a tool in achieving the goals set out in the report.

Building/Facilities Repairs and Maintenance

Funding:	1983	$200,000
	1984	$100,000 ($300,000 as base)
Projects:	1983	New roof on wings Solar collectors Repair retaining wall
	1984	Repair 1st floor ceiling (water damage) Replace 1st floor carpet (water damage) Employee entrance and driveway (re-do) Overhaul elevators Renovate space for Director's suite
1985 and future:		Re-roof tower part of building Cover computer well Deal with falling brick Return a floor to stacks

Space Use

NAL will be re-occupying the 2nd floor of the building. This is the area that was originally developed for the Director's suite and administrative offices. This move is now underway and should be completed by January 1, 1984.

Mr. Howard obtained free services of an interior decorator from the Library of Congress to layout the Director's suite, recommend furnishings, etc. We certainly appreciated that professional help and we feel we will have an appropriate Director's office.

The balance of the Director's immediate staff will also move to the 2nd floor, which brings together the Director, Associate Director, all staff assistants, the Administrative Office, and the Educational Resources Staff.

Tenants

A review was made of the reimbursement paid by tenants for space at NAL. It was determined that the existing rates were low, therefore, they were increased appropriately. This provides a substantial source of funds to NAL.

Environmental Health

A contract has been let in response to NAL employees concerns about the incidence of cancer deaths at NAL the past few years. The contractor will review the environment in the building and the potential health hazards at NAL.

Security of Collection and Facility

A committee has been established to review the security of the collection, computer files, and the facility.

The committee met once and is now collecting information and data. A final report with recommendations and alternatives should be available by January 1, 1984. Some of the specific items to be considered are: closed stacks, limited access of certain areas, ID badges, signs, detector system, card key access, improved guard surveilance, improved training and orientation of employees, etc.

Extended Hours

In general, the recommendation to extend library hours is a good one, but is not a high priority item in terms of money and staff. Extended hours have been tried before. However, the greater portion of our walk-in users are Agricultural Research Service personnel and the greater volume of requests are handled through mail or telephone.

D.C. Branch

Proposed changes in the organization of and services offered by the D.C. Branch Library have been submitted to all assistant secretaries, agency administrators, and staff officers. Over the past 15 years this library has been narrowly focused on economics and social sciences. We are now considering conversion to a small information center, which will act as an open window to all agricultural subjects. Capable service-oriented reference librarians would be on duty to aid users and to insure that needed information and publications are obtained and made available from the main library on the day requested if at all possible.

Communications and shuttle service between the center and NAL Beltsville would have to be prompt, frequent, and responsive to user needs.

Backup services would be provided by staff members in Beltsville assigned to coordinate provision of the full array of NAL services and collections to the center and the USDA personnel and offices it will serve. Online terminals to access computerized files would be used to supplement a general collection of useful reference books. A number of popular journals and newspapers would be maintained at the center, but the stack collection of social science materials would be transferred to Beltsville.

NAL Legislation

Following advice, one package of legislation on the National Agricultural Library has been prepared, which codifies all previous authorities and establishes an advisory council. A transmittal has gone forward to Asst. Secretary Bentley, and other USDA officials for clearance before going to the Senate and House.

Toni Bearman raised a question about the mission statement and was advised that such a statement should be more appropriately issued as a Secretary's Memorandum. Dr. Bentley requested that any mission statement be submitted to the Department's Research and Policy Committee for review. This procedure will effectively bring the mission and function of NAL to the attention of all USDA agencies.

Office of Inspector General (OIG) Report

OIG has reviewed NAL's user fee activities. Their recommendations in part paralleled those of the Blue Ribbon Panel. Their recommendations were:

1. Perform annual reviews of the photoduplication fee charged non-USDA recipients and adjust fees as necessary.

   NAL Action: The review has been made and a new fee schedule set. We are negotiating with NTIS to bill and collect for us beginning with FY 1984 activities. When the arrangement is complete the new schedule will be put into effect. Basically, it raises fees from $3 to $5 for most requests.

2. Review annually costs of providing online searches to non-USDA users and adjust fees accordingly.

   NAL Action: The issue of collecting fees for online searches is still under study. We expect to make our decision on this by January 1, 1984.

3. Determine fees for AGRICOLA training and charge non-USDA participants accordingly.

   NAL Action: We have completed the study and determined that $300 would be an appropriate fee, which will be charged beginning FY 1984.

4. Evaluate commercial worth of AGRICOLA access and if warranted increase royalty fees.

   NAL Action: Evaluation was completed and the royalty fee is being raised 50% ($4 to $6 per hour). NTIS is renegotiating their contracts to include that rate to be effective January 1, 1984.

5. Request an opinion from the Office of the General Counsel (OGC) as to the legality of NAL using NTIS to collect fees.

   NAL Action: NAL requested that opinion from OGC in June.

Interlibrary Loan

NAL joined the OCLC system for interlibrary loan, whereby other libraries request documents directly through OCLC. We are looking at telefacsimile transmission and electronic mail as future delivery systems. We have had a cooperative agreement with David Bishop, University of Georgia, to look at the operation of our Utilization and Maintenance Sections and are awaiting his report.

Current Awareness Literature Service (CALS)

Service has been terminated to university people and USDA personnel other than ARS because of lack of funds. Charging non-USDA personnel for this service would place NAL in direct competition with the private sector. Advantage of supplying CALS to USDA personnel is that USDA staff working with USDA personnel can supply the service cheaper and more quickly than private sector. The eligibility of Extension and Experiment Station personnel is not clear cut. Transfer of funds is counted as user fees. Also, user fees are charged for products available from NTIS.

Cooperation in Collection Development

Since NAL can not be all things to all people, various cooperative initiatives are in progress. Research libraries are currently evaluating strengths and weaknesses of their collections. NAL has indicated to the Association of Research Libraries interest in participating in this project for the agricultural sciences and coordinating the evaluation project and collection responsibilities with the land-grant libraries. NAL will have Collection Development and Networking offices.

Preservation

Preservation of documents presents great problems. We are investigating microforms vs binding and keeping an eye on the Library of Congress pioneering activities in deacidification and optical disc technology.

Bibliographic Control

Howard noted a 16-25 percent increase in production in cataloging and indexing. NAL is working with OCLC Inc. and land-grant libraries on cooperative cataloging, whereby a record for an agricultural monograph or serial would be created once at the national level according to established standards. NAL would accept records for AGRICOLA and MARC distribution service. Cooperative cataloging means NAL will not need more money for cataloging, but will need additional funds for travel and training. The project will eliminate major duplication in cataloging.

NAL will also participate in two national programs involving standardization of bibliographic data: NACO and CONSER. CONSER is a program to develop a national database containing full and accurate bibliographic records of journals and other serials. Over 300,000 titles are now included in this database. NAL will reactivate its participation in this project, intending to assume national responsibility for the coordination and quality control of information about current agricultural serials that are input into this project. As part of NACO (Name Authority Cooperative Project), NAL has also requested that the Library of Congress delegate to NAL the national responsibility for maintaining authority records for the forms of names of organizations involved in the publication of current agricultural serials.

Cooperative Indexing

NAL has been using a format based on MARC for indexing journal articles. In its cooperative agreements with the Universities of Wisconsin, Arizona, Hawaii, and the Virginia Institute of Marine Sciences, NAL is negotiating the use of this format by all. The Forest Service is cooperating and two staff members will go to Berkeley, CA to work out present incompatibilities. The Agency for International Development (AID) is willing to write into future grants and contracts stipulations about use of a standard indexing format. In a cooperative agreement, the University of Georgia has agreed to index specific journals according to our standard format. We will pay them to do this indexing. The Library of Congress has recently developed a format not completely compatible with NAL; negotiations are underway to resolve differences and create one acceptable national format.

Bibliography of Agriculture

The increased volume of our indexing output has created major problems for the publisher, Oryx Press. We have met with Phyllis Steckler of Oryx Press to discuss future of paper copy vis-a-vis a machine readable product. A partial solution may be in the adoption of a controlled vocabulary to solve the problem of size.

AGROVOC

Several years ago the American Society for Animal Sciences asked NAL to develop a thesaurus. Dr. Farley delayed until AGROVOC had been developed. Each member nation of AGRIS is responsible for indexing its own journals, but needs to adopt common standards including vocabulary. AGROVOC, developed to meet the need for a basic multilingual thesaurus, does not meet NAL needs. The Commonwealth Agricultural Bureaux (CAB) have developed a larger vocabulary. NAL staff is comparing the two thesauri for compatibility. If the two cannot be made compatible, NAL may negotiate with AGRIS on adding terms and future vocabulary building to AGROVOC. EEC has developed a separate vocabulary for specific agricultural subjects. If AGROVOC becomes the umbrella for both EEC and FAO, our problem may be solved.

Automation Study

A long range plan for information resource management has been submitted. Acquisition of a mini-computer through a lease arrangement will aid in providing better current awareness service. We plan to install and operate an integrated library system, which will provide for an online catalog, data entry, and collection control. Evaluation studies are currently being made on full text online, videodisc, and document delivery via electronic means, using the new generation of high speed telefacsimile devices. NAL is studying and identifying subject needs for non-bibliographic information databases. An example is the Residue Avoidance Project.

Translations

NAL does not actually translate documents from a foreign language into English. It does have a departmental responsibility for clearance to translations and bibliographic control to avoid duplication of effort. The Office of International Cooperation and Development (OICD) has P.L. 480 funds for having translations prepared in India. We are helping them to develop an Alpha-Microcomputer system in-house to control translations in progress. Good progress is being made and system should be ready for testing by December 1.

Cooperative Agreements

Dr. Charles Gilreath, Texas A&M University, is producing a new revised edition of the AGRICOLA- USERS GUIDE.

Dr. Jim Rush, James E. Rush Associates, Inc., Powell, Ohio, is preparing a study on serials throughput.

Minimum Level Cataloging

At the recommendation of the Blue Ribbon Panel, cataloging of the Extension Repository Collection and N.E. Region Extension Collection at the minimal level was undertaken. Zimmerman Associates have completed the first collection and the second is currently in progress.

NAL Catalog

On November 15, representatives from Rowman & Allanheld plan to visit NAL to discuss the future of the printed catalog. There are many problems to be answered, particularly in relation to COM (Computer Output on Microfiche) or machine readable tape instead of paper.

Cooperation - National Library of Medicine

Joe Howard has met twice with the Acting Director and Deputy Director of the National Library of Medicine on sharing in matters of common concern. Periodic meetings are planned on such issues as the Residue Avoidance Program and collection responsibility in veterinary medicine. Howard has attended two Board of Regents meetings.

Cooperation - Library of Congress

The Librarv of Congress and NAL are cooperating on the processing of documents in lesser known languages. Library of Congress is sending our documents in Indian languages to their New Delhi office. Documents in technical agriculture, currently being discarded by LC, have been offered first to NAL. These are mainly journals and 10-20% are not in NAL.

Cooperation - Agency for International Development

Officials of AID have met with us to discuss plans for future cooperation. These involve providing information to AID-supported countries on agricultural topics and the possibility of providing advice to AID countries on developing information systems of their own. More indepth talks are planned for the future.

Outreach

In addition to meeting with various USDA agencies, the Director, Joe Howard, is meeting with various universities and professional organizations. Two meetings have been held with land-grant librarians at the annual meeting of the American Library Association and the Association of Research Libraries. Another meeting with land-grant librarians is planned in Washington, D.C. at the mid-winter meeting of the American Library Association, January 10, 1984. Howard has not been as successful in arranging meetingg with professional agricultural organizations, with the exception of the American Society of Animal Science.

Howard has also visited libraries of the University of California at Berkeley and Davis, Washington State, North Carolina State, and North Carolina A&T. Future trips will include meetings with various Forest Service and Agricultural Research Service field libraries.

One meeting has been held with the Division of Agriculture (NASULGC) Committee on the Library. Further meetings will be held with D. B. Browning (Oklahoma), the new chair.

Chinese Study Team

As part of its outreach activities, NAL offers orientation and training programs to foreign visitors. An extensive program has just been completed with a team from the National Center of Agricultural Library and Information of China, Chinese Academy of Agricultural Sciences. NAL staff prepared an itinerary which began September 4 in San Francisco and ended in New York November 10. Arrangements were made for the Study Team to visit the Universities of California at Berkeley and at Davis, DIALOG Information Service, the University of Colorado, Fort Collins Computer Center, Laboratory of Information Science in Agriculture, University of Wisconsin's Steenbock Library, U.S. Forest Products Laboratory Library, North Central Computer Center, Michigan State Universities Libraries, University of Michigan Libraries, Chemical Abstract Service, Online Computer Library Center, Inc., National Technical Information Service, National. Library of Medicine, Library of Congress, BioSciences Information Service, Institute for Scientific Information, Cornell University, and Simmons College Library School. The study-team spent 2-1/2 weeks at the National Agricultural Library investigating our operations.

Associates NAL, Inc.

On September 27, Joseph Howard, Director NAL, Harry Dewey, President of the Associates NAL, Inc., and Leila Moran, Executive Secretary, Associates NAL, Inc. met with Carol Nemeyer, Assistant Librarian for National Programs at the Library of Congress to discuss her techniques in attracting non-government corporate support for many of the publications, exhibits, and symposia relative to or held at the Library of Congress. The Associates plan to develop similar programs at NAL.

Question: Your budget last year reflected an increase as thefirst increment in response to the Panel's recommendations. Will you please state which of those recommendations have been fulfilled.

Answer: The Blue Ribbon Panel divided its recommendations into twelve broad categories with 81 specific recommendations. The following is a summary of actions taken in each of the broad categories:

1. Public awareness of NAL:

The monthly newsletter of the Library, Agricultural Libraries Information Notes, is distributed to more than 3,000 readers in land-grant universities, colleges with departments of agriculture, societies and other agriculturally oriented institutions, independent researchers, information specialists and friends of the Library. The newsletter is designed to keep readers up-to-date on new developments affecting agricultural librarianship as well as projects and policies of the National Agricultural Library

The Library seeks out and evaluates the need for information-type reference tools in specific fields and compiles and publishes them. It develops new brochures, leaflets, and guides on services and policies, as well as updating existing ones, NAL also issues news releases and information alerts as necessary to inform the library, educational and agricultural communities and the general media of new developments and special events occuring at the Library. Articles on the NAL mission and operations have been placed in private sector educational and library publications, as well as departmental ones.

Public awareness of NAL is also created through participation in specialized exhibits at professional meetings and symposia. Examples are the Food and Fitness Fair on the Mall in August 1983 and a Symposium on Blacks in American Agriculture at the University of Florida in February 1984.

Through a "friends of the library" type organization known as the Associates of the National Agriclutral Library, Inc. (a non-profit, non-government organization) the Library seeks to spread awareness of its services and resources through publications and sponsorship of special events.

2. Mission:

The Panel proposed a new mission statement to supersede all previous ones. This new statement is being prepared for departmental review.

3. Departmental placement:

NAL remains, organizationally, under the Assistant Secretary for Science and Education. However, the Library works closely with other USDA agencies, including the Office of Information Resources Management in the development of new information technology and dissemination of information of information and bibliographic databases.

4. Advisory Council:

NAL has drafted legislation to establish an Advisory Council, which is presently being reviewed by the Office of the General Counsel.

5. Internal organization and staffing:

A proposed organization chart consistent with the panel recommendations has been drafted. The Food and Nutrition Information Center has been transferred back to NAL. Twenty additional staff years of the fifty recommended by the Panel have been added to NAL in FY 84.

6. Budget and funding:

The FY 84 budget requested an increase of $900,000 to partially implement Panel recommendations. The Panel recommended a $3,000,000 increase over a two year period. User fees for photocopies have been increased to meet rising costs of this service. Fees for database searches are being instituted. Data tape and royalty charges were increased by NTIS January 1, 1984. NAL has filled a position of budget analyst.

7. Policies:

Staff members have been assigned to review existing policy statements, analyze them, indicate which may need revision and recommend new or additional policies. A collection development officer has been assigned to review and monitor collection policies.

8. Collection and processing:

NAL is working with the Association of Research Libraries and the Research Library Group to develop standardized statements of agricultural literature collection strengths. NAL will assume a lead role with U.S. agricultural libraries in cooperative collection development and data base building. Immediate benefits lie in designation of specific collection responsibilities to cooperating libraries in subject areas where NAL is weak or has only a moderate interest.

Cooperative agreements have been made with the University of Georgia and the University of Arizona for the indexing of specified journals. NAL has also initiated action to resume cooperative activities in establishing authoritative records for periodicals, and the names of corporate organizations associated with them.

9. Services and programs:

Reference desk hours have been extended from 8:00 A.M. to 4:30 P.M. NAL has begun to implement the use of national online systems for the receipt of requests and for ordering items requested but not owned by the library, including the use of OCLC for interlibrary loan. Contractors have initiated studies for NAL of the AGRICOLA system and of workflow procedures.

10. International activities:

NAL has arranged to have the FAO-sponsored AGRIS data base made available to U.S. users through a commercial online retrieval system. Exploratory meetings have been held with representatives of the Commonwealth Agricultural Bureaux to develop a common agricultural thesaurus.

11. Use of technology:

NAL has extended a contract for study of the existing AGRICOLA system into a study of the future needs of NAL, to produce recommendations for the acquisition of appropriate technology to meet our long-range requirements. Other technologies are being studied with a view to improving services and to developing a leadership role in this area among agricultural libraries.

12. Agricultural information network:

NAL intends to develop a formal plan for a national agricultural information network, basing its options in large part on the outcome of the cooperative study mentioned earlier, with members of the Association of Research Libraries and the Research Library Group.

Implementation of Blue Ribbon Panel Recommendations

Question: How much of the proposed increase for FY 1985 is directed to the recommendations of the panel?

Answer: A major portion of the 1985 budget request is in response to the Blue Ribbon Panel's recommendations. All recommended initiatives started in FY 1984 are carried forward into FY 1985 and into future years. All program increases requested are directed to the Panel's recommendations in FY 1985 as follows:

Improve National Library Programs	$500,000
Automation and Technology	400,000
Improve Collection and Establish Centers	200,000
Preservation	100,000
	$1,200,000

Question: How long will it take before all the recommendations are instituted?

Answer: The recommendations of the Blue Ribbon Panel are quite varied in their scope. Many deal with specific actions while others are broad and wide-ranging in application. Much of the work on some specific recommendations has been completed, or will be in FY 84.

Several of the recommendations involve multi-year projects, such as the development of an agricultural information network and the passage of legislation to create an Advisory Council, which we hope will be established by FY 86. NAL is currently far behind the latest advances in automated information technology. It will require a considerable amount of funds over the next few years to update NAL's automated systems and equipment.

Many of the Panel's recommendations represent long-term and ongoing activities. The review and development of policy statements is a continuing process, as is the steady improvement of NAL's services to its clientele. Cooperative agreements with land-grant colleges and other institutions will continue along with the ongoing public awareness effort made by the Library to promote its products and services.

These projects and others recommended by the Panel will be a priority for NAL in the years to come.

LIBRARY FACILITIES

Question: Are your library facilities available to anyone in the country or do you have to have certain qualifications in order to use the materials?

Answer: While the literature collections of the National Agricultural Library are primarily of interest to scientists, researchers, and educators, the library's reading room facilities and its collections are available to anyone in the country above high school age for onsite use. USDA patrons have borrowing privileges, however, and may remove materials for office study or use. For the rest of the nation, the NAL serves as a support to other libraries, lending items from its collections only to other institutions on interlibrary loan, or providing photocopies of noncirculating publications. In this way NAL serves as a national back-up to other libraries and remains the library of last resort for agricultural information.

STAFFING

Question: Do you have adequate staff to handle these requests?

Answer: In FY 1983 NAL received authority to add an additional 20 positions to its employment ceiling. When the people for these new positions are hired, trained, and performing fully, NAL staffing levels should be adequate to respond to requests at the current level. However, as the speed and quality of our services improve, the volume of demand increases. The trend is based in part on the use of new technologies which encourages new demands on the library. One example of this is the use of electronic mail to request books on interlibrary loan. Since NAL's adoption of the OCLC electronic mail interlibrary loan subsystem, requests to borrow items from its collections have increased by a factor of five. In the light of this trend, staffing levels in the future may have to be reevaluated accordingly.

DOCUMENT DELIVERY

Question: The panel found a problem with getting materials or books to people quickly. What steps have you taken to improve this?

Answer. The prompt delivery of agricultural literature to requesting patrons remains one of NAL's highest priorities and a number of steps have been taken to improve its document delivery services locally and nationwide. For example, to speed up the processing of interlibrary loan requests, NAL is now accepting requests on the OCLC system via electronic mail. Two positions have been added to the lending staff to help process these requests. In addition, the Albert R. Mann Library at Cornell University has agreed to serve as another regional document delivery center providing service to USDA researchers at Michigan State, Ohio State, Ohio Agricultural Research and Development Center, and Pennsylvania State. This brings the total number of regional document delivery centers to seven, with 35 states participating. Also, NAL has undertaken a major project to add its own library call numbers to thousands of journals cited in databases other than AGRICOLA in order to speed up the processing of document requests based on our Current Awareness searches of databases such as BIOSIS, CAB, Chemical Abstracts, etc. We are also examining the use of high speed telefacsimile equipment for the rapid delivery of urgently needed materials. Finally, we have initialed a "full-text online" project to explore the possibility of users obtaining copies of full documents, or relevant protions of them, from an online system in which the full text is stored and indexed. All of these efforts are aimed at improving our document delivery services and capabilities.

USER FEES

Question: The panel also indicated your user fees for products and services were too low.

a. Have your fees been increased?

b. Please describe your fee system for the record.

c. Are you allowed to keep these fees or do they go to the Treasury?

Answer: We are in the process of increasing our fees. Our request for new and increased fees is now being reviewed by OMB prior to publication in the Federal Register. The proposed fee system consists of increased charges for reproduction of electrostatic, microfilm and microfiche copy -- $5.00 for the first 10 pages or fraction thereof, and $3.00 for each additional 10 pages or fraction thereof. Duplication of NAL-owned microfilm will cost $10.00 per reel. Duplication of NAL-owned microfiche will cost $5.00 for the first fiche, and $0.50 for each additional fiche. Magnetic tape containing bibliographic files will cost $45.00 per reel. As part of its reference service, NAL may provide staff assistance, and/or the use of manual or computerized reference tools, in accordance with its policies, to answer informational inquiries. We propose to begin billing for all requests for information support requiring more than a threshold level of one hour of staff time or $25 in computer costs, at the rates listed in Section 8, subsections c-e of the Department of Agriculture's fee's schedule, for that part of the staff time and computer-related costs involved which exceed the threshold levels. Part of the fees collected under this procedure are available to NAL.

DOCUMENT DELIVERY

Question: Have there been any increased demands placed on the library since other sources of USDA publications and information have decreased?

Answer: During FY 83 there has been a 52% increase requesting procurement of USDA and other Federal government agency publications from the private sector and an 8% increase from Congressional staff. This required additional staff time to determine the availability of publications from various government agencies (GPO, NTIS), and to respond with appropriate information as to how publications can be obtained and to refer the private sector to the respective agencies for further information and contacts on specific agricultural studies, surveys, and research programs. Furthermore, since October 1, 1982, USDA Publication Offices are referring publication requests to the library for handling.

Question: How much use of the Library is made by non-USDA employees?

Answer: During FY83 -- 4,642 (48%) reference or research requests, 1,351 (40%) online search requests and 407 (12%) miscellaneous requests were provided to the private sector.

Question: To what extent is the Library used by foreign countries?

Answer: Due to NAL's extensive national resources and its unique geographical location in the Capital of this nation, its resources are extensively tapped by Foreign Governments, International Institutions, Foreign Missions, Third World Countries. During FY 1983 - 38% literature searches and 22% reference assistance were provided to foreign entities.

FOREIGN ACQUISITIONS

Question: What percentage of the collection at NAL is foreign?

Answer: About 60 percent of the total NAL collection is of foreign origin. Most of these materials are obtained through the library's international exchange program which brings some 150,000 items into NAL each year. In return, an equal number of publications of the U.S. Department of Agriculture are provided to some 6,000 overseas exchange partners consisting of foreign governments, colleges, and universities.

COMPUTERIZATION OF NAL MATERIALS

Question: To what extent are the materials at the library computerized?

Response: Materials at NAL (books, journal articles, microforms, etc.) are collected and analyzed. A bibliographic reference results from the process of analysis. It is useful to remember the dichotomy between the material itself (the book) and the "pointer" to the material (the bibliographic reference). All bibliographic references derived by NAL are stored in machine-readable form, and in that sense are "computerized". The references are made searchable through private sector online search services.

On the other hand, the materials themselves are not stored in machine-readable form (i.e., are not "computerized"). NAL does have underway a pilot project to convert a small document file to machine-readable form. This test "full-text" file will be made searchable through the BRS search service. As the cost of computer mass storage drops, it may be possible to store the full-text of more and more documents in online computer databases.

LAND-GRANT AVAILABILITY

Question: Would most of our land-grant universities have access to this material?

Response: NAL's bibliographic reference database, AGRICOLA, is publicly available, on a charge-for-use basis, through two of the major U.S. online vendors, Dialog and BRS. This makes the file quite accessible to land-grant universities. For the docu- ments themselves, NAL serves as a library of last resort, and encourages users to exhaust local resources before coming to us. However, land-grant university requests are always honored and filled whenever possible.

AGE OF EQUIPMENT

Question: Is your computer equipment up-to-date?

Response: All three of NAL's major computer systems are five years old or older. Our library information system uses SAMANTHA (System for the Automated MANagement of Text from a Hierarchical Arrangement). This is a batch operated software package that was purchased in 1978 and it is used to produce NAL's Book Catalog, catalog cards, and the AGRICOLA database tapes. Because of the batch nature of the system, it does not allow the library staff the ability to instanteously access or update information on NAL holdings.

NAL also uses for data entry, a minicomputer that was purchased in 1978. Although it has received equipment upgrades from time to time, its capabilities have not kept pace with changes in the NAL mission. Currently NAL is developing a program of cooperative cataloging and indexing with companies and organizations outside of the federal government. In order to implement this type of program, we need a data entry system which supports a larger number of remote users than does the current system. For this reason, NAL is in the process of procuring a replacement for the current data entry system.

The Current Awareness Literature Service system (CALS) operates on software that was developed at the University of Georgia in 1970. This makes it the oldest system currently used at NAL. We are in the process of upgrading this system by replacing the search software with a hardware device called a text array processor, or also known as a database machine. Use of the text array processor should increase our capabilities of performing searches and retrieving information from a textual database.

NAL computer equipment, both hardware and software, is not up-to-date and should be replaced as quickly as possible with newer equipment that will result in cost savings and an increased capability of the NAL staff to carry out its mission.

COMPUTER USAGE

Question: Can you give us an idea of how much use is made of your computer system?

Response: During 1983 NAL distributed a total of 147,329 machine readable bibliographic citations on the AGRICOLA distribution tape. All of these records were processed through NAL's library information system and 90% of the bibliographic citations, or about 133,000, were entered on the NAL data entry minicomputer system. This works out to over 500 bibliographic citations keyboarded and processed each working day.

The Current Awareness Literature Service (CALS) system provides a selected review of the scientific literature to over 1,800 USDA scientists and administrators. Listed below are production statistics for the month of December 1983.

Users	1,837
Profiles	3,112
Profile Master File Updates	106
Searches Processed	21,086
Citations Delivered	511,210

(A user may have multiple profiles. A profile may be run against many different database update tapes.)

Each month the CALS system searches 12 machine readable bibliographic databases and delivers an average of 278 citations to each user. The cost to the government for this service is approximately $5.00 per profile per database each month. If each CALS user were to spend 4 hours per month (1 hour each week) reviewing the scientific literature, it would cost the government approximately $55.00 per month if the average user is a GS-11/5. It would be impossible for a single scientist to search as much of the literature in 4 hours per month as a single CALS profile.

CENTER OF EXCELLENCE

Question: What is the status of your pilot center of excellence?

Answer: NAL has initiated agreements with two centers of excellence for cooperative indexing, the University of Georgia and the University of Arizona. The first shipments of indexing records are now arriving at the Library.

For cooperative cataloging, NAL has met with representatives of OCLC and the land-grant universities on separate occasions to discuss the program. In both instances, the participants were very supportive. NAL is developing plans for implementation of a pilot project for cooperative cataloging but participants for the pilot study have not yet been identified.

Question: What is the subject area being covered by this center of excellence?

Answer: The subject area for Georgia is horticulture and all agricultural publications issued by the state. The subject area for Arizona is arid lands agriculture and all agricultural publications issued by the state.

Question: Where is this Center located?

Answer: The University of Georgia is located in Athens, Georgia and the University of Arizona is located in Tucson, Arizona.

Question: Have you determined how many of these centers you eventually will have?

Answer: It is too early to give an answer to this question, but please refer to the response to the question, "How will you determine the site of these centers?"

Question: How will you determine the site of these centers?

Answer: These will be suggested by emerging fields of interest and corresponding research thrusts of the Department and in the States. Appropriate sources of information are legislative mandates such as those in the Farmland Protection Act; recommendations of the Interagency Panel; determination by the collection development program of collections of excellence; identification of databases containing bibliographic as well as evaluated information; seeking the expertise of the Land-Grant Institutions and professional organizations.

Question: Is the cost of the center being shared by NAL and the institution involved?

Answer: Yes. The costs relating to training, indexing, input to a nationally available data base and coordination of the program are borne by NAL. All other costs are the responsibility of the participants.

COLLECTION PRESERVATION

You are in the process of filming documents at all land-grant institutions. This program began in 1974.

Question: Is NAL conducting the project alone?

Answer: No. The states are participating on an equal basis, furnishing half of the funds.

Question: How much longer do you anticipate this project will take?

Answer: The original cut-off date was 1970. A regrouping of states is now joining to film from 1971 to the present. Once all states are up to date, the approach will be to keep all states current on an annual basis thereafter. This will take several more years.

Question: How much is this project costing?

Answer: From the beginning until the end of FY84, NAL will have contributed $322,822 as its half of the project. We estimate that $15,000 per year will keep all states current.

Question: How much of this project involves restoration of documents?

Answer: None. It has all been done by microfilming.

SUBCOMMITTEE RECESS

Senator COCHRAN. Thank you very much for being here. The subcommittee will stand in recess until Wednesday, March 14, when we will hear from representatives of the Human Nutrition Information Service and the Food and Nutrition Service.

[Whereupon, at 11:45 a.m., Wednesday, March 7, the subcommittee was recessed, to reconvene at 2:00 p.m., Wednesday, March 14.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 14, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:20 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senator Cochran.

DEPARTMENT OF AGRICULTURE

HUMAN NUTRITION INFORMATION SERVICE

FOOD AND NUTRITION SERVICE

STATEMENTS OF:

- **MARY C. JARRATT, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES**
- **ISABEL D. WOLF, ADMINISTRATOR, HUMAN NUTRITION INFORMATION SERVICE**
- **ROBERT E. LEARD, ADMINISTRATOR, FOOD AND NUTRITION SERVICE**

ACCOMPANIED BY:

- **SONIA F. CROW, ASSOCIATE ADMINISTRATOR, FOOD AND NUTRITION SERVICE**
- **GEORGE BRALEY, DEPUTY ADMINISTRATOR, SPECIAL NUTRITION PROGRAMS, FOOD AND NUTRITION SERVICE**
- **VIRGIL CONRAD, DEPUTY ADMINISTRATOR, FAMILY NUTRITION PROGRAMS, FOOD AND NUTRITION SERVICE**
- **WILLIAM G. BOLING, BUDGET OFFICER, FOOD AND NUTRITION SERVICE**
- **ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE**
- **ROBERT L. RIZEK, DIRECTOR, CONSUMER NUTRITION DIVISION**
- **BETTY PETERKIN, DEPUTY DIRECTOR, CONSUMER NUTRITION DIVISION**
- **C. NORMAN STOWELL, BUDGET OFFICER, HUMAN NUTRITION INFORMATION SERVICE**

INTRODUCTION OF WITNESSES

Senator COCHRAN. The subcommittee will come to order.

First let me apologize for being late. Sometimes these committees conflict, and today our Judiciary Committee scheduled a hearing on the confirmation of a judicial nomination which I had recommended to the President, and so I had to be there. It was a pleasure to present to that committee the person whom I had recommended to the President to be appointed a Federal judge in Mississippi. That is the cause for my delay, and I appreciate your indulgence and your understanding.

This afternoon we are going to be hearing from witnesses representing two USDA agencies which come under the jurisdiction of the Assistant Secretary for Food and Consumer Services—the Human Nutrition Information Service and the Food and Nutrition Service.

The functions of the Human Nutrition Information Service are to conduct and interpret research in human nutrition, and to provide information needed by the American public to make informed food choices.

The Food and Nutrition Service administers a number of programs which provide food assistance to individuals, and which are designed to meet family needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings. Its activities include: The food stamp program; the national school lunch and other child nutrition programs; the special milk program; the special supplemental food programs, such as women, infants, and children (WIC); and the food donations programs. In addition, since fiscal year 1982, USDA has authorized a special distribution of surplus commodities to food banks serving needy persons throughout the Nation. The Temporary Emergency Food Assistance Act of 1983 authorized $50 million in fiscal years 1984 and 1985 to fund storage and distribution costs incurred by organizations handling donated USDA commodities.

I want to welcome to the subcommittee Mary Jarratt, Assistant Secretary for Food and Consumer Services. She is accompanied by Isabel D. Wolf, Administrator of the Human Nutrition Information Service, and Robert E. Leard, Administrator of the Food and Nutrition Service, as well as Bob Sherman, Deputy Budget Officer for USDA. There are others in the room that I will not introduce at this time, but we welcome all of you.

Madam Secretary, we have your prepared statements, and we will make them all a part of the record and encourage you to make such summary comments as you would like to at this time.

Please proceed.

PREPARED STATEMENT

Ms. JARRATT. Mr. Chairman, thank you for the opportunity to appear here today. We are pleased to bring to you our budget request and our supplemental request.

I would like to briefly point out to you that during this past year, we have had a larger food stamp participation than any time in history, and we have had similar participation levels in the other programs. These programs are going down, while at the same time we are expanding our coverage of beneficiaries. This is something that we would like to highlight for you especially as we begin today, and then we have a number of other issues that Ms. Wolf and Mr. Leard will be bringing to your attention.

Thank you.

Senator COCHRAN. Thank you.

[The statement of Ms. Jarratt and biographical sketches follow:]

STATEMENT OF MARY C. JARRATT

I am pleased to have this opportunity to speak to you today on the 1985 Budgets for the Human Nutrition Information Service and the Food and Nutrition Service.

With me today are Ms. Isabel Wolf, Administrator of the Human Nutrition Information Service, and Mr. Robert Leard, Administrator of the Food and Nutrition Service.

The work of the Human Nutrition Information Service is important because it enables the Secretary to monitor the effects of our agricultural economy on the nutritional well-being of the Nation and to take steps to see that research-based information on nutrition is conveyed to the public in a meaningful and responsible manner.

The Human Nutrition Information Service will expand the Continuing Survey of Individual's Food Intake in Fiscal Year 1985 beyond the original core group to provide continuous monitoring of the nutritional status of high risk groups. The addition of high risk groups to the survey will enhance its usefulness by increasing the amount and diversity of data collected.

Also in Fiscal Year 1985 the Human Nutrition Information Service will be field-testing the household phase of the Nationwide Food Consumption Survey (NFCS).

The programs administered by the Food and Nutrition Service provide food assistance to those citizens who need our help. These programs are targeted to those who most need our compassion and support. They are largely "means-tested", with the financial situation of the recipient being the primary criterion for eligibility.

The overall Budget request for the Food and Nutrition Service for Fiscal Year 1985 is $17.1 billion, a reduction of $554 million below 1984. Key elements making up the change include:

A reduction of $176 million in the Food Stamp Program based on a decline in the rate of unemployment because of the improving economy.

Proposed legislation reducing costs in the School Lunch Program by a net savings of $48.7 million and the Food Stamp Program by a net savings of $374.0 million.

We are proposing measures to simplify the administration of these programs and to give States more flexibility. To simplify the administration of the programs we are proposing to consolidate the operations of the Nutrition Program for the Elderly and the food assistance portion of the Head Start Program in the Department of Health and Human Services. States would then have only one Federal agency to work with to operate the programs. To give the States flexibility we are proposing to grant them the funds that would have gone to the Child Care and Summer Feeding Programs. They can then design their own non-school feeding programs to best meet their needs. We propose to grant them the full amount of funds estimated to be necessary to conduct these programs in Fiscal Year 1985.

Ms. Wolf and Mr. Leard will provide more details on the budget and our legislative proposals. We will be glad to answer any questions the Committee might have.

BIOGRAPHICAL SKETCHES

Sonia F. Crow

Sonia F. Crow was appointed Associate Administrator of the Food and Nutrition Service (FNS) in September 1983.

As Associate Administrator of FNS, Mrs. Crow works with the Administrator, Robert E. Leard, in planning, directing, coordinating and controlling the overall operations of 10 national feeding programs with a combined annual cost of $19.3 billion. These programs include Food Stamps; School Lunch and Breakfast; Special Milk; Women, Infants and Children; Commodity Supplemental Food; Child Care Food, Summer Food; Food Distribution; and Nutrition Education and Training. FNS has approximately 2400 employees -- 800 in the national office in Alexandria, Virginia, and 1600 in seven regional and field offices across the country.

Prior to joining FNS, Mrs. Crow served for two years as Regional Administrator of the U.S. Environmental Protection Agency. From 1976 to 1981, Mrs. Crow, an attorney, was engaged in private practice in Los Angeles, California, specializing in civil litigation and business law. Mrs. Crow served as Deputy City Attorney of Los Angeles from 1972 to 1976 and Assistant Attorney General of the State of Washington from 1969 to 1972.

Mrs. Crow graduated from the University of California at Los Angeles in 1964 with a bachelor of arts degree in English. In 1967 she received a juris doctor degree from the University of California at Berkeley, Boalt Hall School of Law.

Associate Administrator Crow resides in Georgetown.

Betty B. Peterkin

Mrs. Peterkin is Deputy Director of the Consumer Nutrition Division, Human Nutrition Information Service.

Mrs. Peterkin has 30 years of experience in the Department of Agriculture in food consumption, food money management, and dietary guidance research. Her responsibilities cover the maintenance of the Department of Agriculture food plans, including the Thrifty Food Plan which is used in setting the Food Stamp allotment.

Mrs. Peterkin received a B.S. degree in Home Economics from Purdue University.

HUMAN NUTRITION INFORMATION SERVICE

Ms. WOLF. Thank you, Mr. Chairman.

We thank you very much for going through the mission of our agency, so I will delete that three-page presentation.

The continuation and expansion of HNIS research activities are essential to the Department's responsibility of leadership in nutrition research, training, and education, and demonstrate most clearly the Department's commitment to monitoring the nutritional status of Americans.

BUDGET REQUEST

The HNIS budget request for fiscal year 1985 is $7.5 million. This is an increase of $1.3 million over the fiscal year 1984 appropriation. The increased funds are to expand and improve the Nationwide Food Consumption Survey which is USDA's part of the National Nutrition Monitoring System. You will also recall that the Department of Health and Human Services (DHHS) is involved in the monitoring system with their National Health and Nutrition Examination Survey (NHANES). Our request is related to one of the major recommendations of the

President's Task Force on Food Assistance—that the Government take steps to collect current, timely information on the nutritional status of Americans. Most of our requested budget is necessary if USDA's part of this system is to be adequate.

Of our $1.3 million increase, the major part—approximately $1 million—will be used to expand the USDA's continuing survey of the food intake of individuals. We are now in the process of initiating this new approach in our food surveys. The first data collection for this continuing survey is currently being planned. Field work will begin in fiscal year 1985 on a core monitoring group. This will be a nationally representative sample of women 19 to 50 years of age at all incomes and all children 1 to 5 years of age of these women. The first year of this survey will be done using fiscal year 1984 funds. The increase requested for fiscal year 1985 will allow us to expand the survey to include other groups, particularly those economically disadvantaged groups who are at high nutritional risk, such as the elderly and the low-income. Without the requested increase, the sensitivity of the monitoring system will be compromised. The expansion is important because it will show the extent to which diets of groups of high nutritional risk are affected—an essential component of our new monitoring system.

The balance of the increase will be used to conduct a pilot test for collecting household food use and food cost information for the household portion of the Nationwide Food Consumption Survey, which is now planned for 1987.

Since the last Nationwide Food Consumption Survey in 1977–78, we have undertaken a number of small methodological studies to find ways to improve our data collection procedures and the overall efficiency in providing household food consumption information. However, we need to field test these procedures to make sure that they are operational in large scale surveys.

ONGOING ACTIVITIES

I would like to refer briefly to some of our other ongoing activities. USDA and the Department of Health and Human Services have a Joint Nutrition Monitoring Evaluation Advisory Committee of nationally recognized experts in food and nutrition. The first of the reports to the Congress on the nutritional status of the population, which are due every 3 years, is now underway.

Last year we and the Department of Health and Human Services jointly initiated activities to help us to plan more effectively future nutrition monitoring efforts to meet the priority needs of data users. We sponsored a symposium and workshop under the auspices of the Food and Nutrition Board of the National Academy of Sciences (NAS), and received considerable input on the needs of the data users of our survey. While the report has not yet come forth from NAS, one of the major recommendations was that the two surveys continue as a separate series but with a greater degree of comparability of data than has been available in the past. We are working with DHHS in this area.

We have another grant through the Food and Nutrition Board to investigate the degree of risk associated with nutrient intakes that fail to meet the recommended daily allowance (RDA). Many individuals and groups of individuals have diets that do not meet the RDA, and policymakers, nutrition educators, and others need to know what risk these lower levels involve.

We have several major methodological studies underway to help us determine procedures to be used in the Continuing Survey. One of these is a pilot study of measures of individual food intakes of low-income population groups.

NATIONAL NUTRIENT DATA BANK

The National Nutrient Data Bank is another one of our major activities. We will continue to compile and disseminate data on the nutrient composition of foods through the National Nutrient Data Bank and the continued updates of handbook 8. These, as we all know, are very valuable information resources for nutrition researchers and policy planners, and are used by such individuals throughout the world.

With the information from the surveys—the Nutrient Data Bank and other research—we are continuing to appraise the U.S. diets and provide assistance and guidance materials to nutrition educators, food program managers, and consumers. Examples of some of our ongoing research include the development and monthly costing of the USDA family food plans, such as the thrifty food plan which is used for establishing benefits for the food stamp program.

NUTRITION EDUCATION RESEARCH

Our current nutrition education research is focused in two areas. One study is for finding ways educators can use computer technology to develop certain types of nutrition information they require. Another very important study is underway to determine methods for communicating nutrition information to low-income consumers. Drawing to a close is a 3-year cooperative effort with the American Red Cross in which a six-session nutrition course was developed and evaluated. In a few months, Red Cross chapters across the country will be offering this course to the public.

DIETARY GUIDELINES ADVISORY COMMITTEE

HNIS is also the supporting agency for the Dietary Guidelines Advisory Committee. This committee is to make recommendations later this year to USDA and DHHS regarding the appropriateness of the current publication, "Nutrition and Health: Dietary Guidelines for Americans," which was issued by the two agencies in 1980.

Mr. Chairman, I will be happy to answer any questions you or other members of the committee may have.

Senator COCHRAN. Thank you very much, Ms. Wolf.

[The statement of Ms. Wolf follows:]

STATEMENT OF ISABEL WOLF

I am Isabel Wolf, Administrator of the Human Nutrition Information Service (HNIS). I am pleased to be here today to discuss the HNIS budget request for Fiscal Year 1985.

Mission of the Human Nutrition Information Service

HNIS is comprised of two operating units; the Nutrition Guidance and Education Research Division and the Consumer Nutrition Division. The mission of the agency is to conduct and interpret applied research in human nutrition to improve professional and public understanding of the nutritive value of food and the nutritional adequacy of diets and food supplies, and to provide information needed by the American public to make informed food choices. Research in these areas is specifically mandated in the Food and Agriculture Act of 1977 and the Agriculture and Food Act of 1981. The Department of Agriculture has been the primary source of information on nutritive values of food and diets consumed in the United States since the early 1900's. This information, together with research findings on human nutritional requirements, is the basis of most of the dietary guidance HNIS develops for the U.S. public.

The continuation and expansion of HNIS research activities are essential to the Department's responsibilities of leadership in nutrition research, training, and education and demonstrates most clearly the Department's commitment to monitoring the nutritional status of Americans.

Fiscal Year 1985 Budget Request

The HNIS budget request for Fiscal Year 1985 is for $7,496,000. This is an increase of $1.3 million over the Fiscal Year 1984 appropriation. The increased funds are to expand and improve the Nationwide Food Consumption Survey (NFCS), USDA's part of the National Nutrition Monitoring System (NNMS) requested by Congress in the 1977 Farm Bill. USDA and DHHS submitted a plan for a system to Congress and have been working on the implementation of this system. One of the major recommendations of the recent President's Task Force on Food Assistance was that the government take steps to improve information collection on the nutritional status of Americans. This requested budget increase is necessary if USDA's part in this system is to be adequate.

Before I proceed to the specifics of how the requested increase will be used I would like to outline the two major components of the NNMS. The system will be comprised primarily of the NFCS and the National Health and Nutrition Examination Survey (NHANES) conducted by DHHS. NHANES is concerned mainly with the health aspects of individual food consumption from a clinical standpoint. Our plans are to expand and improve the NFCS. In the past the NFCS consisted of two surveys -- household and individual food consumption. The household component will continue to be conducted every ten years. The individual component will be converted to a Continuing Survey in order to provide timely information on the nutrition status of the population.

Continuing Survey of Food Intakes of Individuals (CSFII). The major part, $1,050,000, of the increase will be used to expand the Continuing Survey. We are now in the process of contracting for the first year's data collection for this Survey using FY 1984 funds. The field work will begin in FY 1985 on the core monitoring group, a nationally representative sample of women 19-50 years of age at all incomes and all 1-5 year old children of those women. The increase requested for FY 1985 will allow us to expand the survey to include other groups in the survey, particularly these minority, ethnic and economically disadvantaged groups at high nutritional risk, such as the elderly and the low-income. Without the increase, the sensitivity of the monitoring system will be compromised. The survey results will be limited to detecting changes in economic and other factors on food and nutrient intake of a national sample of women and their children. This expansion is important because it will show the extent to which diets of groups at high nutritional risk are affected -- an essential component of the monitoring system.

Pilot Field Test. The balance of the increase, $250,000, will be used to conduct a pilot test of methods for collecting household food use and food cost information for the NFCS of households planned for 1987. Since the last NFCS in 1977-78, we have undertaken a number of methodological studies to find ways to improve our data collection procedures and overall efficiency in providing household food consumption information. Procedures identified in these methods studies now need to be field tested to assure that they are operational in large scale surveys.

Ongoing Activities

National Nutrition Monitoring System (NNMS). As I mentioned previously, we are using this year's funds to initiate the Continuing Survey of Food Intakes of Individuals as specified in the joint implementation plan on the NNMS submitted to Congress in 1981. We have taken a number of other major steps to implement the NNMS.

A USDA-DHHS Joint Nutrition Monitoring Evaluation Advisory Committee of nationally recognized experts in food and nutrition surveys has been convened. The first of the reports to the Congress, to be submitted every three years, on the nutritional status of the population is underway. In addition to providing this report, the Committee will assist us in discharging our responsibilities for national nutrition monitoring by identifying areas that need improvement in the monitoring system itself.

Last year, we and DHHS jointly initiated activities to help us to plan more effectively future monitoring efforts to meet the priority needs of data users. To do this we sponsored the Food and Nutrition Board of the National Academy of Sciences in conducting a workshop and a symposium of users of dietary data from NFCS and NHANES. While the final report is not available, consensus on a number of issues was apparent among these authorities who represented Government, industry, and academia and had a wide divergence of interest. Highest priority uses of the NFCS and/or NHANES data included five general areas: (1) assessment of dietary intakes; (2) economics of food consumption; (3) food programs and food guidance; (4) historical and/or secular trends; and (5) toxicological considerations. Data users asked that the NFCS and NHANES continue as separate series, but with a greater degree of data comparability than has been available in the past. We are continuing to work toward this goal with DHHS. Many data users appeared to place high priority on the measurement on a continuing basis of the dietary adequacy of the U.S. population and subpopulations at nutritional risk.

The Food and Nutrition Board, under a grant from HNIS, is investigating the degree of risk associated with nutrient intakes that fail to meet the Recommended Dietary Allowances (RDA). This information is needed for meaningful evaluation of the intakes reported in surveys. Many individuals and groups of individuals do not have diets that meet the RDA, and policy makers, nutrition educators, and others need to know what risk these lower levels involve. For example, only 43% of the population had 100% or more of the RDA for iron, while 32% receive less than 70% of the RDA for iron.

HNIS has underway major methodological studies to help determine procedures to be used in the Continuing Survey. The first study tested nine alternative procedures for collecting individual intake data for up to 12 days over a year's period of time. All data have been collected and are now in the final stages of analysis. The second study is a pilot study of measures of individual food intakes of the low-income population. Data collection on this study is underway. The results of these two studies, plus those of previous methodological studies completed since the 1977-78 NFCS, are forming the foundation of the procedures which will be used for the Continuing Survey and other NFCS activities. The use of these procedures to provide priority requirements of data users, as identified by the Data Users Conferences, will lead to the most relevant dietary data possible under the present state of the art.

National Nutrient Data Bank. HNIS will continue to compile and disseminate data on the nutrient composition of foods through the National Nutrient Data Bank and the continued updates of Agriculture Handbook No. 8, "Composition of Foods." The information on the nutritive value of foods from the National Nutrient Data Bank is a valuable national resource for researchers and educators concerned with food and nutrition, as well as for national and international food and nutrition policy planning. Furthermore, nutrient data from the Bank is an essential component of the National Nutrition Monitoring System. Without data from the Nutrient Data Bank, dietary data from the NFCS could not be evaluated for nutrient content. Surveys and controlled nutrition studies in USDA, DHHS, and throughout the country, as well as in other parts of the world, count on

HNIS's data bank as a primary source of data information on the nutrient content of food.

The analysis, evaluation, and compilation processes of providing nutrient data are a continuing, evolving research effort. New public health issues require special studies. One such issue has been raised with the nutrient selenium. Because of selenium's possible role in the prevention of cancer and the lack of data on the selenium content of food, a study of the selenium content of food is a high-priority research need. Part of our extramural food composition budget will be redirected to a pilot study of the selenium content of foods and the distribution of selenium in the food supply.

Food and Diet Appraisal and Nutrition Guidance and Education. With information from the NFCS, the National Nutrient Data Bank, and other human nutrition research, HNIS will continue to appraise U.S. diets, and provide consultative assistance and guidance materials to nutrition educators, food program managers and consumers.

Some studies that are nearing completion are: Impacts of Convenience Food on Diets; Effects of Eating Out on Diet Quality and Food Expenditures; Factors Related to Nutrient Intake of the Elderly; and Methods for Determining Food Losses in Households. HNIS staff are now beginning to plan the analyses of data from the Continuing Survey relative to determinants of diet quality.

Examples of ongoing research conducted by the agency include the development and monthly costing of the USDA family food plans, such as the Thrifty Food Plan, used for establishing benefits for the Food Stamp Program. Also, HNIS estimates each year the nutrient content of the U.S. food supply to provide information on trends in nutrient consumption and food sources of nutrients since 1909.

Our current nutrition education research is focused in two areas. One study is for finding ways educators can use computer technology to develop certain types of nutrition information they require. In another study methods for communicating nutrition information to low literacy consumers are being designed and tested. Drawing to a close is a three year cooperative effort with the

American Red Cross in which a six-session nutrition course was developed and evaluated. In a few months Red Cross Chapters across the country will be offering this course to the interested public.

HNIS is the supporting agency for the Dietary Guidelines Advisory Committee that is to make recommendations later this year to USDA and DHHS regarding the appropriateness of the Dietary Guidelines for Americans, issued by the two agencies in 1980. All of these efforts relate directly to the needs of the food assistance and nutrition education programs and help us to provide information the public needs to improve their food choices.

Mr. Chairman, I will be happy to answer any questions you or other Committee Members may have.

FOOD AND NUTRITION SERVICE

Senator COCHRAN. Mr. Leard.

Mr. LEARD. Mr. Chairman, it is a pleasure to be here today to discuss the Food and Nutrition Service budget.

Before I start, I would like to introduce Sonia F. Crow to the committee. Mrs. Crow has joined the Food and Nutrition Service as the Associate Administrator. Formerly, she was with the Environmental Protection Agency. I have provided her biography for the record.

I am also accompanied by Mr. George Braley, the Deputy Administrator for special nutrition programs; Mr. Virgil Conrad, the Deputy Administrator for family nutrition programs; and Mr. Jerry Boling, our Budget Officer.

FISCAL YEAR 1984 SUPPLEMENTAL REQUESTS

Let me start by reviewing our 1984 supplemental requests. We are seeking supplementals for the child nutrition programs, the Food Stamp Program, and the WIC program. For the child nutrition programs, we are requesting an urgent supplemental of $545.5 million. The claims payment patterns during the school year require that more than 90 percent of the funds be paid by June. We project that funds for this school year's meal reimbursements will only cover meals served through May.

For the Food Stamp Program, we are requesting a supplemental of $308 million. This will allow for full payments to all eligible recipients for the full fiscal year. We estimate that right now we have adequate funds to get us into September.

For the WIC program, we are requesting a supplemental of $167 million. This level will support average monthly participation of 2.8 million in 1984.

FISCAL YEAR 1985 F&NS BUDGET REQUEST

Turning to fiscal year 1985, the overall budget request for the Food and Nutrition Service for fiscal year 1985 will be $17.1 billion, a reduction of $554 million below the fiscal year 1984 current estimate.

CHILD NUTRITION AND NET PROGRAMS

For our child nutrition programs we are requesting an appropriation of $3,675.5 million. This reflects a net savings of $48.7 million below the current services level because of the following legislative proposals:

We propose to eliminate the nutrition education and training program, the NET program, for a savings of $5 million.

We propose to create an independent base for calculating the payment rate for reduced price lunches and breakfasts for a savings of $6.7 million.

We propose to improve the combined effectiveness of application and income verification procedures by reimbursing State agencies for certain administrative costs relating to verifying school lunch eligibility. There will be a net savings of $37 million.

Further, we are proposing to institute a nonschool food program grant of $443.7 million in lieu of the current child care food and summer food service programs. The funds requested include 100 percent of what the projected fiscal year 1985 funding levels for these programs would have been, less the funding for Head Start centers. The Department of Health and Human Services budget request includes $80.4 million for the Head Start centers, which is equal to what we estimate they would have received in fiscal year 1985 through the child care food program. Because the current services funding level is being proposed in this grant, we have had no savings attributed to it.

The new grant approach would provide the States with greater flexibility in setting their own priorities and in allocating their resources to meet these priorities, and enable the States to design and implement nonschool food programs which will best serve the needs of their citizens.

The second proposal of major importance is verification of school lunch applications for free and reduced price meals. Our studies show that there is a potential error rate of between 15 and 20 percent on the school lunch applications unless you have some kind of effective procedure or a deterrent. We have experimented with improved applications and verification strategies, and we feel that we have come up with a formula which will allow us to reduce this error rate.

We are also proposing a legislative amendment which would end the direct administration of programs by the Federal Government where the State does not administer the programs. Currently, we have 22 States in which we are administering some parts of the child nutrition programs. In 11 States we administer some part of the school lunch program, and we do the child care, summer, and special milk programs in other States. We feel that it is an inappropriate use of Federal resources to act as a State agency in administering these programs.

Beginning in fiscal year 1985, the changing status of the trust territories will affect their participation in the child nutrition programs. Funding for the Marshall and Mariana Islands will be included in a foreign assistance grant provided through a State Department appropriation. Palau, while negotiating its status, will continue to participate in the child nutrition programs.

SPECIAL SUPPLEMENTAL FOOD PROGRAMS

Referring to the special supplemental food programs, we are again proposing the combination of the appropriations for the WIC program and the Commodity Supplemental Food Program because of the similar purposes for which these programs were established. The fiscal year 1985 appropriation request is $1,277.3 million. Specifically, for the WIC program we are requesting $1,254.3 million. This will support an average monthly participation of 2.7 million people. We also are proposing a reduction of administrative funding from 20 percent to 18 percent of the total program cost.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

For the Commodity Supplemental Food Program, we are requesting a fiscal year 1985 appropriation of $23 million. This is because we estimate that there will be $13.1 million of unused 1984 money which we will carry over.

FOOD STAMP PROGRAM

Turning to the Food Stamp Program, we are proposing an appropriation of $10,797.6 million in fiscal year 1985. This amount includes consideration of $374 million in net savings due to our legislative changes.

We will propose that all households that are certified to receive AFDC payments now be made categorically eligible for food stamps. This amounts to about 25 percent of our food stamp caseload and will result in a savings in time and effort for the caseworkers and will contribute about a $4 million savings in reduction of errors and time spent on caseload processing.

We are also proposing a community work experience program. This provision will require the performance of public service work as an eligibility requirement for all household members subject to the work registration requirement. We estimate a net savings of about $85 million.

Concerning the error rate system, we are proposing that States pay back the value of all coupons issued in error above 3 percent. This would include both over-issuance and ineligibility errors. The present law requires States to repay a percentage of their administrative expenses for errors above 5 percent. This change will save the Federal Government $503 million in 1985.

The budget request for the Food Stamp Program also includes a funding level of $851.6 million for State administrative costs and $69.2 million for printing and distribution of food coupons and other costs.

NUTRITION ASSISTANCE FOR PUERTO RICO

We are also going to request $825 million for the Puerto Rico nutrition assistance block grant. That is the amount which was appropriated last year.

FOOD DONATIONS PROGRAM

Turning to our food donations program, the appropriation request will be $23.5 million for the needy family program on Indian reservations and the trust territories. We are again proposing to transfer the nutrition program for the elderly to the Department of Health and Human Services. As you know, the program is administered in Health and Human Services and we provide commodities or cash in lieu of commodities. Over 90 percent of the program is on a cash basis so we are providing the cash while we don't administer the program.

FOOD PROGRAM ADMINISTRATION

The appropriation we are requesting for the operation of the Food and Nutrition Service is $83 million. This is below 1984 because of a reduction in staff-years and other efficiencies.

I appreciate the opportunity to discuss our budget request and will be happy to answer any questions.

Senator COCHRAN. Thank you.

Does that conclude the presentation to the subcommittee?

Ms. JARRATT. Yes, sir, it does.

Senator COCHRAN. Thank you very much.

[The statement of Mr. Leard follows:]

STATEMENT OF ROBERT E. LEARD

Mr. Chairman, members of the Committee, we are pleased to be here today to discuss the Food and Nutrition Service budget for the Food Stamp, Child Nutrition, Special Supplemental Food Programs (WIC and CSFP) and other programs which this Agency administers. I would like to introduce Sonia F. Crow to the Committee. Mrs. Crow has joined the Food and Nutrition Service as Associate Administrator. Formerly she was with the Environmental Protection Agency. I will submit her biography for the record. I am also accompanied today by Mr. Virgil Conrad, Deputy Administrator for the Family Nutrition Programs, Mr. George Braley, Deputy Administrator for the Special Nutrition Programs, and Mr. Jerry Boling, our Budget Officer.

Mr. Chairman, the legislative and financial program we are presenting reflects our continuing commitment to those in need of food assistance. It also presents our plans to streamline and simplify the administration of our various programs at both the Federal and State levels. Every effort has been made to propose a Budget which protects the benefits of eligible program participants.

1984 Supplementals

We are seeking supplementals for the Child Nutrition Programs, the Food Stamp Program and the WIC Program.

For the Child Nutrition Programs, we are requesting an urgent supplemental of $545.5 million. The claims payment patterns during the school year require that more than 90 percent of the funds be paid by June. We project that funds for this school year's meal reimbursements will only cover meals served through May.

For the Food Stamp Program, we are requesting a supplemental of $308 million. This will allow for full payments to all eligible recipients for the full fiscal year. Estimates submitted in the Fiscal Year 1984 budget included savings expected as a result of various legislative proposals. Legislation necessary to achieve the projected savings was not enacted resulting in the need for the requested supplemental.

For the WIC Program we are requesting a supplemental of $167 million. This level will support average monthly participation of 2.8 million in 1984. This means a reduction from current participation levels but a substantially higher average participation level than in 1983. WIC Program participation grew rapidly at the end of Fiscal Year 1983 due to the $100 million provided in the emergency supplemental enacted last May.

Fiscal Year 1985

The overall budget request for the Food and Nutrition Service for Fiscal Year 1985 is $17.1 billion, a reduction of $554 million below the Fiscal Year 1984 current estimate.

CHILD NUTRITION PROGRAMS

For Fiscal Year 1985, we are requesting an appropriation of $3,675.5 million for the Child Nutrition Programs. We expect this to be sufficient to cover the rate increase based on the rate of inflation, as well as the projected growth in the number of children being served in the Child Nutrition Programs. In addition, the Child Nutrition Programs will receive $350.9 million in donated commodities purchased under the authority of Section 32. The Fiscal Year 1985 Budget request for the Child Nutrition Programs reflects a net savings of $48.7 million below the current level because of the following legislative proposals:

- Eliminate the Nutrition Education and Training Program -- savings $5 million;
- Create an independent base for calculating the payment rate for reduced price lunches and breakfasts -- savings $6.7 million;
- Improve the combined effectiveness of application and income verification procedures, by reimbursing State Agencies for the administrative costs of verifying the school lunch eligibility -- net savings $37.0 million.

We are also proposing to institute a Non-School Food Program Grant of $443.7 million in lieu of the current Child Care Food and Summer Food Service Programs. The funds requested include 100 percent of what the projected Fiscal Year 1985 funding levels for these programs would have been, less funding for Head Start Centers. The Department of Health and Human Services Budget Request includes $80.4 million for the Head Start Centers, which is equal to what we estimate they would have received in Fiscal Year 1985 through the Child Care Food Program. Because the current services funding level is being proposed, no savings is attributed to this proposal in the Fiscal Year 1985 Budget.

The new grant approach would:

- Provide the States with greater flexibility in setting their own priorities and in allocating their resources to meet these priorities;
- Enable the States to design and implement non-school food programs which will best serve the needs of their citizens.

The second proposal of major importance is verification of school lunch applications for free and reduced price meals.

We are dealing with a potential error rate of 17.5 percent on school lunch applications without effective verification procedures.

We have experimented with improved applications and a series of verification strategies. We feel that a lack of a credible deterrent to misreporting income is a key factor.

Simple efforts, such as requiring the social security number on the application form and mandatory verification of a small number of applications, have helped.

The proposal would change the State Administrative Expense (SAE) funding formula to provide an additional $3 million for State and local agencies conducting income verification. Strategies for income verification will make the best use of offices in the State with the ability to independently verify income information. The combination of increased administrative funding and independent verification is expected to yield a net savings of $37 million. The Department will be developing further details of this proposal in its normal policy and regulation making process.

We are also proposing a legislative amendment which would end the direct administration of programs by the Federal Government where the State does not administer the programs. Since States are responsible for making federal programs available to their citizens, the Department believes it is an inappropriate use of federal resources to act as a state agency in administering programs. Beginning in Fiscal Year 1985, the changing status of the Trust Territories will affect their participation in the Child Nutrition Programs. Funding for the Marshall and Mariana Islands will be included in a foreign assistance grant provided through a State Department Appropriation. Palau, while negotiating its status, will continue to participate in the Child Nutrition Programs.

SPECIAL SUPPLEMENTAL FOOD PROGRAMS

We are again proposing the combination of the appropriations for the WIC Program and the Commodity Supplemental Food Program because of the similar purposes for which these programs were established. The Fiscal Year 1985 appropriation request is $1,277.3 million. Specifically, for the WIC Program we request $1,254.3 million. This will support an average monthly participation of 2.7 million people. We also propose a reduction of administrative funding from 20 percent to 18 percent of the total program cost. We believe that WIC Program administration should be more efficient and less expensive.

For the Commodity Supplemental Food Program (CSFP), we request an appropriation of $23.0 million. Since we anticipate that $13.1 million will be unused from 1984, we will only require an appropriation of $23.0 million in 1985 to maintain a program level of $36.1 million. We estimate CSFP participation to rise from 146,000 in 1984 to 152,500 in 1985, caused by anticipated growth in the new local agency in Chicago and some increases in existing projects. We are requesting in the appropriation that $6.0 million be specified for administrative costs. This corresponds to the intent of the authorizing language that 15 percent of total program level, plus 15 percent of the value of certain surplus foods, be available for administration. Since we are reducing the appropriation request by using carry-over from 1984, 15 percent of the actual appropriation would not be sufficient.

FOOD STAMP PROGRAM

For the Food Stamp Program, we are proposing an appropriation of $10,797.6 million in Fiscal Year 1985. This amount includes consideration of $374 million in net savings due to the following legislative changes:

(1) Categorical Eligibility -- This provision would provide for categorical eligibility for food stamps for all households whose members are certified as eligible for or receiving AFDC payments. This proposal would result in savings of about $4 million. Savings would be realized because caseworkers will have additional time to devote to reducing errors.

(2) Community Work Experience Program -- This provision would require the performance of public service work as an eligibility requirement for all household members subject to the work registration requirement and exempt from work registration solely because of the receipt of unemployment insurance. We estimate net savings of $85 million.

(3) Error Rate System -- We are proposing that States pay back the value of all coupons issued in error above 3 percent. The present law requires States to repay a percentage of their administrative expenses for errors above 5 percent. This change will save the Federal Government $503 million in 1985. Overissuance and ineligibility in the Food Stamp Program are estimated to be about 8.2 percent based on the preliminary quality control statistics for the first half of Fiscal Year 1983. No reduction in benefits to eligible recipients would result from the enactment of these proposals.

The budget request for the Food Stamp Program includes:

- A funding level of $851.6 million for State administrative costs which includes $25.6 million for matching State anti-fraud activities.
- A funding level of $69.2 million for other Federal costs of the Food Stamp Program including $42.6 million for the printing and distribution of food coupons.
- In part, the Fiscal Year 1985 Food Stamp Program costs will be off-set by collections of $20 million from States for billings for issuance

errors in excess of the error rate targets contained in current law. In 1984, we anticipate recovering about $8.6 million in State liability billings for 1981 and 1982 which will have completed the appeals process.

Under existing law 75 percent funding for State fraud prevention activities along with increased program emphasis on reducing waste, fraud and abuse has prompted States to take action against those committing food stamp fraud. Measurable progress has been made in curbing program abuse. The number of prosecutions increased in 31 States with 15 of those States registering an increase of over 100 percent. In Fiscal Year 1982, 10,426 prosecutions involving $12.3 million were completed. This represented an increase of 47 percent over the Fiscal Year 1981 level. The number of prosecutions increased to 16,769 in Fiscal Year 1983 -- a 60 percent increase over Fiscal Year 1982. In Fiscal Year 1982, fraud disqualifications resulting from prosecutions was up 429 percent over Fiscal Year 1981.

FNS has also made progress in reducing the food stamp error rate. We've seen the overpayment error drop from 10.4 percent in 1981 to 8.2 percent in 1983, a 20 percent reduction in two years. But an 8 percent error rate is still unacceptably high. Overpayments cost the U.S. taxpayers $900 million in 1983.

To ensure continuing progress in reducing error:

- We have undertaken an "Operation Awareness" campaign to place emphasis on the need for caseworker training and the need for improved means of fraud detection and prosecution.
- We have instituted computer matching on a wide variety of data bases including wage data from the State employment services.
- The proposal in the 1985 Budget is to provide an even greater incentive for States to work with us to reduce errors.

For the Nutrition Assistance for Puerto Rico block grant, we are seeking an appropriation of $825 million -- the amount of the authorization.

FOOD DONATIONS PROGRAM

This appropriation funds the Needy Family Program on Indian Reservations and the Trust Territories. The appropriation request totals $23.5 million which together with an anticipated carryover of $17.8 million and commodities donated from Commodity Credit Corporation excess inventory will enable the Agency to maintain a program level of $50.9 million. We are again proposing to transfer the Nutrition Program for the Elderly to the Department of Health and Human Services (DHHS). The program originated as a commodity outlet; however, the legislation was revised in 1977 to allow the delivery of cash in lieu of commodities. Now, over 90 percent of the program is on a cash basis. The Department has virtually no authority or control over the operations of the program, and it is extremely difficult to resolve reporting discrepancies and other administrative problems. The transfer of this program to DHHS would allow the Federal Government to provide more effective program management and would enable the states to deal with a single federal agency.

FOOD PROGRAM ADMINISTRATION

The Fiscal Year 1985 appropriation request for Food Program Administration is $83,187,000.

The operating expenses of the Food and Nutrition Service programs are provided in the FPA appropriation.

From Fiscal Year 1980 to Fiscal Year 1983 the agency has reduced staff years by about 300.

Significant progress in improving Federal administration has been made in such areas as audit resolution; debt collection; cash management; monitoring of food stamp redemptions; and annual closeouts of program grants. A variety of management initiatives are underway to combat fraud, waste and abuse including wage matching, income verification and vendor monitoring.

Staff resources of FNS have also been involved in the distribution of excess commodities under the Temporary Emergency Food Assistance Program. During 1983 the Department donated commodities with a value of more than $1.4 billion to eligible recipient agencies for distribution to needy persons.

The donated commodities are those acquired either through USDA surplus removal efforts (Section 32) or through the price support activities of the CCC. The Department is continuing the donation in Fiscal Year 1984. In addition, the CCC budget request for Fiscal Year 1985 includes $50 million to be administered by FNS to assist States with storage and distribution costs related to the donated commodities.

We have a continuing program for the review of our operations in order to determine new ways to improve the administration of these vital programs.

I appreciate the opportunity to discuss our programs and budget request and will be happy to answer any questions you may have.

RECOMMENDATIONS OF THE PRESIDENT'S TASK FORCE ON FOOD ASSISTANCE

Senator COCHRAN. Madam Secretary, everybody has been talking about the task force report on hunger in America, the recommendations that are being made, and the findings that are contained in it. What reaction, if any, is the Department making to the task force report? Are there specific changes in any program that are coming out of the Department as a result of the findings of the President's Task Force on Food Assistance?

Ms. JARRATT. Yes, sir, there are. The budget was nearly finalized before that report was released, so the budget request does not fully reflect our view of the findings of the task force. A number of the recommendations are already being dealt with by appropriate agencies. For example, the recommendation to try to increase the nutrition data base on which to make nutrition decisions has been referred to HNIS, and we will try to incorporate that into our monitoring system. We are working with DHHS to try to improve the poverty data collection. We have discussed this with OMB, and they are taking it up with the Bureau of the Census. Those kinds of things are already underway.

There was a feeling, I think perhaps unwarranted, that the homeless were not eligible for food stamps. They are eligible for food stamps. We have sent a directive to the regional offices reiterating that there should be a clarification if there is a misunderstanding. Several other actions that were recommended are in the same kind of category; they could be handled by memorandum. The administration has not requested additional funding for the WIC program. I think that that is the reflection of the fact that in the WIC program an infusion of money has tended to support more participation in the 1- to 5-year-old range rather than supporting the pregnant mother and the infants for whom we think the program is better suited.

I am prepared to tell you that the administration will support increased funding for maintaining the 2.96 million caseload. I understand there is an amendment here on the Hill today that would provide an additional $300 million for WIC. We are not sure that the total $300 million will be needed to maintain the 2.96 million caseload. The estimate that we have before you is an estimate of the food package that was based on 1983 figures, just a simple inflation factor applied, and that was before there was an increase in egg prices or any escalation of citrus prices, so we are reestimating the WIC food package cost. We will get it to you as quickly as we can.

We are not prepared to support a supplemental that would just simply escalate the WIC program participation. We do feel that, as the Federal Government, we should address the question of which program offering food assistance to the 1- to 5-year-old child is most appropriate. We are not sure it is WIC; it may be Head Start, it may be child care, or whatever, but we think the money in the WIC program is best targeted to the pregnant mother and to the infant.

The task force recommended, with regard to the Food Stamp Program, the restoration of 100 percent of the value of the thrifty food plan. This is scheduled to take place in October 1985. We are not recommending the assets limit provision. We can tell you that the cost of that would be small because not too many of our food stamp participants claim assets in excess of what the limit is now.

I think I covered most of the recommendations. A number of them did not have cost implications. Another recommendation was to cash out the elderly. The administration has not taken a position on this. We do know from our demonstration projects that the use of cash by the elderly did not tend to dilute the nutrition assistance. The elderly still spent that money on food. However, we do not have a position on that recommendation. The administration is looking at this one.

The recommendation with regard to keeping the offices open for longer periods of time and so forth is, of course, permissible now, and we think that should be a State and local decision. They are most knowledgeable about whether they are able to serve the needs of their population. There is no Federal prohibition against keeping the offices open late.

Spreading the issuance of food stamps through the month is something that some States can't do because of computer problems, but to the extent they can, there is no prohibition against that, either. We have reiterated that through our regional offices.

Senator COCHRAN. If these changes are implemented, I presume there will be an impact on the budget request that has previously been submitted. If so, will that be submitted to the committee in the form of a supplemental request or a revised budget request prior to our markup in June, or whenever we mark up?

Ms. JARRATT. I am not prepared to say whether the administration is going to forward a legislative recommendation on all these proposals. The ones that didn't require legislation, I think, were all in the works or have been directed for implementation. The one about the increase in the assets limitation has not been resolved in the administration. Of course, we are trying to do it in a very timely fashion before the markup.

Senator COCHRAN. Thank you very much for that.

LOCAL ADMINISTRATION OF THE FOOD STAMP PROGRAM

One time when I was back home, a delegation from our State welfare department's local administrative offices, who were dealing with some changes in the food stamp and distribution programs, talked about some problems that they had with these programs. Some of the items that were discussed included retrospective budgeting and monthly reporting of incomes, and the forms that were being required to be filled out by employees at the county level. I reviewed the form, and anybody could tell by looking at it that an awful lot of time is going to be consumed by staff, or beneficiaries, or both, or relatives of beneficiaries, or somebody in compiling the data and putting it in the proper place on the form as a part of proving eligibility for the food stamp benefits. Is there any way to simplify or make less onerous the burden that is imposed on local staff and beneficiaries by that requirement?

Mr. LEARD. Mr. Chairman, each State has the option as to what they desire to use and what questions they ask. We are also giving waivers for certain large segments of the food stamp population so that States don't have the onerous burden of doing that. In Mississippi, for instance, the number of households that have come under monthly reporting is roughly only about one-third of the total caseload or about 53,000 households. Those were mainly nonpublic assistance households with earnings. Roughly 32 percent of the nonpublic assistance caseload, or about 47,000 households, and 37 percent of the public assistance caseload, or 5,500 households, are reporting monthly. So we are getting waivers out to the States as they show us a plan and show us what type of households they want to focus on.

Again, generally, the States are focusing on households with large numbers of people in them, four or more, and those who are on public assistance, because that is generally where you have variance and you have a change that would require you to use monthly budgeting where it becomes efficient. As far as the questions, on this point we would certainly be glad to assist the States in refining their forms, but it is their option what they ask.

Senator COCHRAN. Are you preparing sample or suggested forms for their use, or are you leaving this strictly up to the States to do that?

Mr. LEARD. Let me have Mr. Conrad discuss that.

Mr. CONRAD. Mr. Chairman, the Congress gave us some additional authority.

Senator COCHRAN. I am not sure it had a lot of wisdom in it. [Laughter.]

Mr. CONRAD. In December of this past year, I think, we were giving additional authority that permits the States to target the questions, as Mr. Leard said, as well as the cases that they want to include in monthly reporting. We did not attempt to provide a model set to the States in terms of questions to be asked. Basically, there are about three questions that you really get high payoff from, and our regional offices point these out to the States when they meet with them. You need to know how many people are in the household; you need to know if they have income; and you need to know their monthly shelter costs. If you get those three items, you are going to probably cover 50 percent or more of the errors that can occur. Our advice runs toward those three main items. Beyond that, it depends upon the circumstances of the State and what is causing the errors as to which questions would be asked.

LOCAL ADMINISTRATION OF THE FOOD DONATIONS PROGRAM

Senator COCHRAN. One other item that was discussed with me, and I think we submitted this concern in a letter to you, was the additional burden of the commodity distribution program on existing staff at the local level. There was a plea for funding of administrative costs in dealing with this program from the Federal Government. What is the situation now? Does the Federal Government make available to State and local governments a certain amount of money to deal with this and, if so, how much is it, and how is that transmitted?

Mr. LEARD. Mr. Chairman, there is $50 million this year which is to be routed to the States for handling these commodities. We have prorated that to the States based on a formula. Basically, 60 percent of the funds are distributed based on the number of people below poverty in the State, and 40 percent based on the amount of unemployment in the State. We adjust this distribution periodically. So there is money out there for use within the State for storage, transportation and refrigeration, and other commodity handling expenses. In addition, we will be glad to help the States, and to give them technical advice on how to refine their procedures in order to minimize their costs. We do have people who have been going out to numerous States and have been able to save them a considerable amount of money. We will be glad to work with Mississippi in that regard.

Senator COCHRAN. That would be appreciated if you have not had a formal request from the State agency in charge. I did hear that request made by local offices that feel burdened because of the problem they have in trying to allocate the appropriate numbers of people to actually manage the distribution. I didn't hear the complaints in terms of cost or transportation or storage and the like that you mentioned being paid for. It is just that everything has to stop, and everybody who works for the county has to put down what they are doing and go out and hand out the food or try to plan to do it. There is an awful lot of man and woman power that is needed to get that job done.

It has always been explained to me this way: We are worrying about errors that develop in our recordkeeping. Maybe it is because we are spending so much time trying to do too many things with too few people, and we do get errors.

Ms. JARRATT. Mr. Chairman, the reason that we have not built in more of a base to this household commodity distribution is that, in the first place, this effort was specifically based on the high unemployment rate at the end of 1981, and on the large inventories that we have, especially of dairy commodities. We still believe that the food stamp program should provide the basic nutrition relief for households. Sometime in the near future we hope to get those commodity inventories down and to go back to the institutional usage of commodities. The institutions have been the main users—the school lunch program, the hospitals, and so forth. We don't think that it is the best thing for all people to expand commodity distribution but that the food stamp program is still the most efficient and effective assistance for them.

I would point out, too, that with regard to that $50 million for warehouse, transportation, and distribution costs, there is a very substantial underutilization of that money by the States. Our regional offices do meet with the State people, and we are certainly alerting everyone that money is there. I don't think there is any State that is unaware of that, but there has been very substantial underutilization of it.

Senator COCHRAN. Are there plans to continue the commodity distribution?

Ms. JARRATT. Yes; as long as we have the inventory. What I am saying is that we need to reduce the inventory, but as long as we have it we are going to be giving it to needy families as well as to institutional users.

Mr. LEARD. Mr. Chairman, Mississippi's share of the $50 million is $866,000.

Senator COCHRAN. That is for storing and transporting. That is not the problem that has been communicated to me.

Mr. LEARD. That is not the cost of salaries for distribution.

Senator COCHRAN. That is the problem.

Mr. LEARD. It can be used for salaries, but generally it is used for the other costs.

HUMAN NUTRITION RESEARCH OVERLAP

Senator COCHRAN. In discussing the Human Nutrition Information Service, I could not help but wonder whether there is overlapping between activities that are going on at HNIS and at the Agricultural Research Service. As a matter of fact, this year, a request from the Agricultural Research Service amounts to $34.3 million for human nutrition research. Does the research, Ms. Wolf, at your agency differ from the research conducted by ARS?

Ms. WOLF. I would say it differs rather significantly in that much of our research relates to the conduct of nutrition surveys, methodological kinds of studies to help us improve the surveys, and gathering information for the nutrient data bank. We have a fair number of studies that are conducted by universities today to analyze the nutrient composition of foods. Much of the work that we do is of use to ARS and to other nutrition researchers. ARS does more of what I would describe as basic nutrition research, whereas HNIS conducts applied research. There might be some minor overlap of some work done, I would say, with the Cooperative State Research Service at an experiment station, but the nutrition research done at the ARS regional nutrition centers really does not in any way overlap with what we do.

I would also like to point out that we have a very constant communications system with ARS, with Dr. Bentley, and with people on his staff. In fact, tomorrow I will be meeting with some of the people at the ARS's Western Human Nutrition Research Center in San Francisco. Their work, in fact, comes, I think, closest of any of the nutrition centers to some of the things we do, and they are attempting to find more rapid methods to assess nutritional status of individuals.

EDUCATION AND TRAINING PROGRAMS

Senator COCHRAN. I notice that your budget proposes elimination of the nutrition education and training program.

Ms. WOLF. That is Mr. Leard's program, the NET program.

Senator COCHRAN. In the Extension Service's budget, there is a proposal which would result in a $25.5 million reduction in the expanded food and nutrition education program. I hear reports now from others that the services provided by the Extension Service are very important, and they are helpful to the recipients, particularly those on food stamps or who are participants in the WIC programs. How do you justify that kind of a proposal and your proposal to eliminate the NET program?

Ms. WOLF. We are talking about the EFNEP program. We work with the people in the Extension Service in assisting with preparation of the materials which they utilize in their program both at the national and at the State level. As a person who was an extension specialist at the State level, I know the use that we did make of the materials that were generated by the Human Nutrition Information Service. We also do work cooperatively with the EFNEP program, but again primarily in using them to help us disseminate materials. We had a major campaign last summer to introduce the new thrifty food plan, and we were involved with the Food and Nutrition Service and the Extension Service in conducting a series of workshops around the country. We invited people from the community who were involved in the nutrition education program to come in to 2-day sessions in seven locations around the country. We felt it was quite a successful effort.

Ms. JARRATT. Mr. Chairman, I feel there may be a little confusion about these programs. The NET program is under the Food and Nutrition Service. The EFNEP program is under the Extension Service. HNIS also provides technical guidance for all kinds of nutrition information activities which the Department conducts. I am not prepared to speak of that reduction of $25 million in EFNEP. I know it is there. I think it is a very useful program, because it helps low-income people best utilize the resources they have whether it is budgeting for food intake or whatever, but I am not prepared to speak to that budget recommendation.

Senator COCHRAN. Well, the reason I asked this panel about it is because I was curious as to whether or not you were going to be looked to to take up the slack. If you are going to eliminate the extension of this information to persons out in the countryside, who is going to do it? If it is not going to be done by the Extension Service, where are people going to get this information?

Ms. JARRATT. A lot of the EFNEP participants are also food stamp users and there have been some studies conducted about the utilization of that. We are undertaking a nutrition education effort, and we are trying to expand on that effort for the food stamp office with public service announcements, with materials about good seasonal buying tips for any household that wants to shop in a more thrifty manner. I don't think the welfare offices are the best places to deliver nutrition education messages. Nutrition education for food stamp households continues to be our largest vulnerability in assisting low-income people with nutrition education, because we don't have the recipients in the schools or in a health clinic or whatever. We don't really know as much about what the family does with the food once they go to the store and get it. It is a major area of concern, but it is not one that I feel can be dealt with in a mammoth way by welfare officials.

Ms. WOLF. Mr. Chairman, I just want to add that we really don't even know the way to reach many of the food stamp families, especially those who have literacy problems. We have a very exciting piece of research underway at the present time trying to find the best way to reach some of these groups of people with nutrition information that they will find useful and will help them with their diet.

SCHOOL LUNCH PROGRAM

Senator COCHRAN. I had an opportunity yesterday to talk with two persons from my State who were very much involved in the school lunch program. One was the administrator of a separate school district, and the other worked at the State agency level. They were telling me that in my State, over 70 percent of the students are on either a reduced price or a free lunch program. We have in my State the lowest per capita income of any of the States of the Union, and it made me wonder whether it is worth all of the effort being made to verify income, to establish procedures to reduce the stigma that is attached to those who may qualify for reduced priced lunches or free lunches, and to go through all the accounting and all that is done. Would it be just as simple in Mississippi to make all of the lunches free? How much would that cost? What would be the difference? Has anybody figured that out?

Ms. JARRATT. Mr. Chairman, may I speak to the concept of income verification. The Congress directed us to begin collecting Social Security numbers and to look at the misspent dollars in school lunches because it was about 1 in 5—about 20 percent of the dollars were misspent when this administration came into office. We came up with the concept, which became mandatory last year, for the school districts to check 3 percent or 3,000, whichever was smaller, of all the applications they received, and they did that. In the meantime, we did a study testing several concepts for verification—eight of them as a matter of fact—and we found out that some were more effective than others. We came up with a proposal which will provide the States with the funding to identify the food stamp households, because food stamp households are not the ones most likely to be misreporting income.

Using an error-prone profile, the sample size could be reduced to 1.5 percent rather than 3 percent if the school district so chose, and it would be focused on those households most likely to misreport income; in other words, the more affluent households. The study did indicate that very few food stamp users are the ones doing the misreporting, so it made sense just to separate those out and identify them for the school authorities at the beginning, and then they could reduce their sample size.

Also, we found out that with the use of a simple income code on the application we could very quickly focus on those households that were most likely to be misreporting. I do think we should be responsible to the taxpayers who are paying for the misspent dollars in any of our programs. I think with one dollar in five being incorrectly spent we were forced to do something. It is a simple deterrent and verification procedure that is the magic of the concept. I think it is not that we expect to get every single one that is misreporting, but it is the same concept that is applied by the IRS to promote better reporting.

Mr. LEARD. We estimate, Mr. Chairman, that to give everybody a free lunch would run between $8 and $10 billion which would be about three times the current cost of the program.

Senator COCHRAN. Included in that, is there a calculation of the administrative costs that would be saved on such things as income verification?

Mr. LEARD. Very small costs are involved, sir.

Ms. JARRATT. It is a one-time thing during the school year. The applications are collected anyway, so that verification is not an expensive activity, especially since we will be able to identify certain households that should be targeted. We think we can do that better this school year than we could last school year and still be able to reduce the sample size. With this error-prone profile technique, I think we will find more errors. A lot of school districts are telling me they are finding more misreporters. Most States don't have as many free lunch recipients as Mississippi does, so it would be more costly. That is the reason we are doing it. We think it helps bring some attention to the program.

Senator COCHRAN. Isn't there an alternative error-prone method that is available, too, for checking on those who might be misreporting or misstating income?

Mr. LEARD. The State may use whatever system they prefer. We use the error-prone profile, and we recommend it to schools. Again, it is a very simple kind of go/no-go question, and it pinpoints or focuses on those people who are more likely to have made an error. What we were trying to do here is stop schools from verifying the income of the food stamp recipient households, because they have already been checked and they generally report the correct amount.

PROPOSED NONSCHOOL PROGRAM GRANT

Senator COCHRAN. We know there is also some discussion about the possibility of consolidating the child care food program and the summer food service programs into a block grant. There is a proposal for that, is that right?

Mr. LEARD. Yes, sir, that is correct.

Senator COCHRAN. Will funds go to the States earmarked? Are States identified? What is the proposal? Are some States going to be identified as eligible for the block grants and others are not?

Mr. LEARD. No, sir. It would be the amount of money that would have been in the child care and summer food service programs, minus the Head Start money which was transferred to HHS. We would transfer 100 percent of the money to the State and they would then determine how they would divide it among the programs.

Senator COCHRAN. What do you anticipate in terms of participation? It will necessarily be reduced, I presume, under this proposal.

Mr. LEARD. I think what it would do is let the States better target this money to the more needy people, because right now the child care program is very poorly targeted because of the family daycare homes. We know that a large percentage of the participants in family daycare homes are over 185 percent of poverty, so we feel that the States can better utilize this money and target it to their needy people.

Senator COCHRAN. Does the transfer of the food assistance portion of Head Start require legislation to go to the Department of Health and Human Services?

Mr. LEARD. Yes, sir, it does.

WIC PROGRAM

Senator COCHRAN. Last year, if I recall correctly, there was a requirement in our conference report on WIC which stated that the intent of the conferees was to maintain a certain caseload level. That is obviously not consistent with the view of the administration. The request that is being made here would maintain participation at something less than the current level.

Ms. JARRATT. Mr. Chairman, maybe you didn't hear me. I said that a modification in the testimony is that the administration recognizes that we have to be ready to keep the caseload at 2.96 million, and we know that to drop to 2.7 would be hard to effect later in the year. We have not issued a directive to reduce the caseload, and we don't intend to. We don't think that we necessarily need the full $300 million in the supplemental bill that is pending on the Hill right now.

We have not reestimated the cost of the food package yet. I do think the cost will be up from what our current estimate is, and we are working to provide that right away, as we are in the process of doing it now.

We do not support giving these incremental infusions to the WIC program. The caseload gets higher and higher because, as I pointed out, of the people who tend to come into the program, more than one-half of our caseload addition since the jobs bill infusion has been the 1- to 5-year-old child. This is not where the WIC program is best utilized. We know it has the most impact for the pregnant mother and the infant. Benefits are available for food assistance for preschoolers in Head Start, in WIC, in child care, and in other programs for the same age category. I don't believe WIC is necessarily the best way to approach food assistance for this age group.

I think we have to come to grips with this from the budget deficit perspective, and we certainly believe in providing food assistance for needy families. However, some categories of people are getting supplements along the way, and it is not evenly balanced. I think Federal policymakers have not addressed the transfer that is going to the needy family, the WIC mother, and the infant who are also eligible for food stamps, child care, and other programs. We propose to focus the WIC program directly on the mother and the infant where it is most effective.

I think we need to ask some hard questions about whether Head Start or the other programs are the most effective for the preschooler and for the school age child. We think the Food Stamp Program is well designed for family relief, but I think there is an abundance of assistance for the 1- to 5-year-old, and I think that that is where the administration is concerned.

Senator COCHRAN. Is that going to require legislative changes in the program or do we just manipulate that through the tightening up of the appropriation? Is that the right way to go about it?

Ms. JARRATT. We have a major evaluation of the WIC program underway, which should be completed later this year, which we hope will give us the better data that we need in order to make Federal policy. There is not the kind of analytical data available within Federal agencies to make these kinds of decisions. We get good analyses about the char-acteristics of food stamp and WIC participants, but we don't have good mechanisms yet for identifying the more vulnerable WIC eligible. One baby in five is born in this country into the WIC program and we think that is a fairly staggering figure. The fact that participation in WIC will continue in the 1- to 5-year-old category where they might be partici-pating in Head Start or some other program needs to be addressed, but we do not have all the analyses to make those kinds of decisions at the moment.

ADMINISTRATIVE EXPENSES OF THE WIC PROGRAM

Senator COCHRAN. There is some concern that has been expressed to me about the administrative expenses reduction that you have proposed for the WIC program in the budget. I am told that WIC administrative expenses go almost completely to administering the program itself. For instance, 75 percent in Mississippi goes for paying health officials for examinations, but none is spent for equipment or furnishings that are necessary for efficient administration of the program. Despite this, there is a proposal to reduce administrative expenses to 18 percent of the food program cost. This is justified, according to you, by saying that the decrease will be offset by an increase in the food program. How do you expect the State agencies to administer increased amounts for food if they don't have the equipment and personnel to handle them?

Mr. LEARD. Mr. Chairman, there are several points I would like to make here. By reducing the 20 percent to 18 percent, we would be able to put about 50,000 to 60,000 more women and infants on the program with the same amount of money. You can move money from the administration to the benefit side, but by law, you can't move it back from benefits to administration. In a number of States, we have seen that they actually do move money from administration to benefits during the year, and we feel this indicates that administration can be accomplished at 18 percent and the people therefore would benefit.

Senator COCHRAN. Is that true with every State or are you just hoping that will be true?

Mr. LEARD. No; it is not true for all States.

Senator COCHRAN. Is there any kind of legislative requirement that you are responding to with this kind of proposal?

Mr. LEARD. No, sir, there is not.

EQUITY AND STABILITY FUNDING

Senator COCHRAN. Last year I was concerned when I heard that there was going to be a change in the way the allocation was calculated for States. The way it originally was proposed, it would have specifically hurt Mississippi, which would have gotten less money because we were aggressively implementing the program. That decision was held up and was not made, so that the amount of money that would have gone to Mississippi was not cut back. Is there any prospect for proposing that change again?

This was what you called "equity" and "stability" funding. What it meant was the poorer States would get less money and the big rich States would get more money. That is the way it turned out to be as a practical matter. Who is going to be more stable as a result of that? What is the status of that kind of proposal?

Mr. LEARD. Mr. Chairman, we have looked at this. This is quite an argument between those States which have the large WIC programs and a large stability grant, and those which don't have as large a program to get a fairer share. In order to minimize the effect and stabilize the caseload, we are taking each year's new money, and we are putting it out at the same percentages as the previous year in order to achieve stability. Any money that was left over, we then distributed applying an equity formula, so we can assist some of the States which really have a lower percentage of people on WIC and are not getting their fair share to get on an equity basis. In this past year the amount was about $20 to $25 million that we rolled over and applied on an equity formula. So really we are using stability as our primary criterion for putting the money out.

Senator COCHRAN. What was the impact of the jobs bill appropriation on WIC participation? I think the Secretary mentioned a moment ago the jobs bill as an example of why we ought to be able to start cutting back a little bit on the WIC funds.

Ms. JARRATT. Or, sir, to identify which one of these programs should constitute the main kind of assistance for those aged 1 to 5. The WIC program may be the one that we decide is the most viable, or we may decide that it is head start. We do know that over one-half of the participation in WIC now consists of the 1- to 5-year-old child, and that is the one that we think the WIC program package least addresses as far as making a health intervention.

Mr. LEARD. Mr. Chairman, the caseload in WIC for fiscal year 1983 rose from 2.4 to 2.96 over the course of the year, and most of that was in a rather abrupt rise in the last 6 months. So while the national average was only about 2.5, the final number at the end of the year was 2.96 and that was the result of the jobs bill.

BUDGET ESTIMATES

Senator COCHRAN. We have noticed that current law estimates provided by the CBO are always somewhat higher than those provided by the Food and Nutrition Service. For fiscal year 1985, it is some $80 million higher. Generally, when we appropriate the budget request, we have to provide a supplemental amount for the remainder of the year. Can you explain why there is this difference?

Ms. JARRATT. Mr. Chairman, we think our estimates this year have been overly generous in this regard, if that is the proper terminology for it. In fact, the unemployment rate is coming down a little bit more than what we projected for the next year. There are economic factors that cause these adjustments. Part of our child nutrition shortfall problem last year was that the recession effects lasted longer than we thought they would, and we had more free lunches than we had calculated at the beginning of the year when we first submitted our budget request. The food stamp request was pretty much in order. The child nutrition funding situation was exacerbated by the fact that we had the shortfall problem from 1980, and it became worse in 1981 and 1982 and then it became an incredible problem for local school districts to deal with. There are some uncontrollable variables, of which food price inflation or the economy are primary ones, and they do force adjustments during the year.

ASSESSMENT OF THE NUTRITION ASSISTANCE TO PUERTO RICO GRANT

Senator COCHRAN. I notice that you are suggesting that we continue this year to provide a block grant cash program to Puerto Rico. What is your assessment of the success of that experiment in Puerto Rico?

Ms. JARRATT. We think it is doing very well. A more in-depth evaluation is ongoing at the moment, but we have not had evidence that the program is being abused. We feel that the transactions are occurring at the retail store with the checks, and so far I have nothing but good news to report about the cash program in Puerto Rico.

Senator COCHRAN. Do they use all the money just to give to beneficiaries, or do you know?

Ms. JARRATT. They have some administrative money involved in this.

Senator COCHRAN. Some what?

Ms. JARRATT. They have administrative money.

Mr. LEARD. And they also have some special projects.

Ms. JARRATT. About $25 million is being provided to stimulate agricultural production. That money is targeted to help make them more self-sufficient with agricultural production.

Senator COCHRAN. I read an article in the New York Times, I don't know whether you saw it, by Tom Coleman who is a Congressman from Missouri. It is a very well written article arguing against cashout for food stamps and it mentions the Puerto Rico experiment. Very provocative article I thought.

In connection with that, is there a recommendation that will be sent to Congress for further cashout type approach to food stamps?

Ms. JARRATT. No; the reason we didn't oppose the choice for Puerto Rico is that their per capita income is so much lower than the income level in the continental United States that the cash would still be used for food. Eating is a pretty hard habit to break, and they are spending a large portion of their income for food. I think they are going to continue to do that. There is a point where that may not be true, and we are not advocating and have not contemplated advocating cashout for the continental program. That was Puerto Rico's choice; the block grant gave them a choice to make delivery of benefits in whatever form they chose, and they opted for cash.

SUBMITTED QUESTIONS

Senator COCHRAN. I have some other questions. What I think I will do is to submit those to you in writing and ask for you to respond to them in due course.

Ms. JARRATT. We will be happy to do that.

[The following questions were not asked at the hearing but were submitted for response for the record:]

HUMAN NUTRITION INFORMATION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

HUMAN NUTRITION RESEARCH

Question: How does your research in human nutrition differ from that conducted by the Agricultural Research Service (ARS)?

(ARS's budget contains $34.3 million for human nutrition research.)

Answer: Our research is clearly different from, but complements, that conducted by ARS. Most ARS research consists of basic, controlled clinical and laboratory studies to determine human nutritional requirements and define physiological indicators of nutritional status, to develop methods for determining the nutrient composition of foods, and to identify determinants of the availability of nutrients to the body. On the other hand, our research is mostly applied research. We compile information on the nutritive value of foods from industry, Government, and universities and fill in data gaps through extramural research; we conduct food consumption surveys; and we monitor the dietary status of the population. We also develop guidance and techniques for helping the public improve their diets.

Question: Is there some duplication or overlapping in the research you each do?

Answer: There is little or no overlapping in the research ARS and HNIS do. However, our research is mutually supportive.

Question: Do you work with or cooperate with ARS in any way?

Answer: Yes, I can mention several examples of cooperation. ARS research results, with other human nutrition requirements research, provide basic information used to establish the standards (Recommended Dietary Allowances) for assessing diet quality from survey information and developing food selection guidance for the public. We use their analytical methods studies to identify appropriate procedures to require in contracts for acquiring needed food composition data. On the other hand, ARS uses data from our Nutrient Data Bank in their clinical studies and uses our survey data to design sampling plans for food composition studies. We provide them with consultative assistance in survey methodology. Both agencies played major roles in designing and conducting a comprehensive study of the nutrient composition of beef. Under the Department's Subcommittee for Human Nutrition of the Research and Education Committee, both agencies worked cooperatively to develop 5-year research plans. This subcommittee coordinates nutrition-related activities in USDA.

CONTINUING SURVEY

Question: All of your surveys and acronyms--Nationwide Food Consumption Survey (NFCS); individual food survey, household surveys--are rather confusing. However, as I understand it, it is for the Continuing Survey that you have requested over a $1.0 million increase for fiscal year 1985. How much of your 1984 funds are being used for this survey?

Answer: In fiscal year 1984, approximately $1,000,000 will be used to initiate the continuing survey of food intakes of individuals.

A brief overview of the Nationwide Food Consumption Surveys (NFCS) may be useful. Since 1936-37, USDA has conducted NFCS at roughly ten-year intervals. Over the years, the survey design has changed as new information was required and technical capabilities improved. The last survey, the 1977-78 NFCS, consisted of a household survey--food used at home for one week and an individual survey--total dietary intake of certain members of the household. The individual survey will now be converted to a continuing survey of food intakes of individuals.

Question: What will they be used for?

Answer: Fiscal year 1984 funds will be used to initiate the continuing survey of the core monitoring group which will be monitored every year to serve as an indicator of the nutritional condition of the general population. The core group will be a nationally representative sample of women 19-50 years of age at all incomes and all 1- to 5-year-old children of these women. To increase the number of children in the sample, women with children 1-5 years old will be oversampled.

Question: How much of your 1985 funding request will be allocated to this survey and for what will they be used?

Answer: Of the increase requested for fiscal year 1985, $1,050,000 will be used to expand the survey. In total, approximately $2,000,000 will be directed toward the continuing survey. In addition to the survey of the core group that will be continued into 1986, the survey will be expanded in fiscal year 1985 to include a nationally representative sample of 1,200 low-income women 19-50 years of age and all 1- to 5-year-old children of those women. As in the core monitoring group, women with children 1-5 years of age will be oversampled. The low-income population is considered to be of highest priority for monitoring special nutritional risk groups.

Question: Will this all be contracted out or will some of your staff be devoting time to this Survey? If so, how much?

Answer: The survey data collection will be contracted out by competitive bid. Our staff has responsibility for planning the survey to incorporate the priority needs of data users. This planning has been underway for several months and will continue until all plans are made and interpreted to the data collection contractor.

At one time or another, practically the entire HNIS staff will be committed to the survey process. For example, at the present time, our Nutrient Data Research staff are reviewing, revising, and adding additional nutrients to the nutrient data file that is utilized for converting foods consumed into nutrients consumed. With the initiation of data collection, staff will be directed toward monitoring the contract; providing technical support to the contractor; and analyzing, interpreting, and presenting the results.

HOUSEHOLD SURVEYS

Question: How often are the household surveys conducted?

Answer: The Department has conducted the household phase of the Nationwide Food Consumption Surveys (NFCS) approximately every ten years.

Question: When was the last one conducted?

Answer: The last NFCS household survey was conducted in 1977-78.

Question: Since the next one will be conducted in 1987, why are you requesting funds for a pilot field test for 1985?

Answer: We are requesting funds in fiscal year 1985 for the field test for the household phase of the survey in order to determine improvements which can be made to the survey methodology before 1987.

Question: What do you hope to gain from a pilot field test?

Answer: Our intent in all of our methodological studies and field tests of survey procedures is to improve the usefulness of our survey data for our data users, to increase our efficiency, and to reduce survey costs. Since the last Nationwide Food Consumption Survey in 1977-78, we have undertaken a number of methodological studies to accomplish this. The field test that we are now planning will test the procedures identified by these studies to assure that they are operational for large scale surveys. Of particular importance in the test is the use of portable computer terminals in the interview process, and the electronic transmission of information to the main computer. Such a process will greatly decrease the time between data collection and the release of results and data tapes to the users of our data. Also of major importance is the development and refinement of the appropriate software that is needed in processing the data.

DEVELOPING AND COSTING OF FOOD PLANS

Question: It is my understanding that HNIS is responsible for the development and costing of the Thrifty Food Plan which is used for establishing benefits for the food stamp and WIC program. When were the latest changes made in the food plans?

Answer: The food makeup of the USDA family food plans at four cost levels--thrifty, low-cost, moderate-cost, and liberal--was last changed in 1983. The new food plans reflect the most recent research-based information we have on food consumption, the nutritive value of foods, and human nutritional needs. Cost adjustments in the Thrifty Food Plan for the purpose of Food Stamp benefit determinations are specified in the Food Stamp Act. The adjustments are made October 1 of each year.

For the WIC Program, the actual foods are the benefit changes made in the Food Package Regulations when USDA determines there is a need for revisions because of new nutrition information pertaining to the target population, new legislation requires changes, or because of some practical consideration relating to the foods. Public comments are considered in the process. Prior to the November 1980 regulations, changes were made in August 1977. The Consumer Price Index (CPI) for food at home has been used to estimate costs of the foods and therefore to estimate participation levels in the program.

Question: How often are changes made? Do you update the costs regularly?

Answer: The food makeup of the family food plans are changed in response to major new research that affects the plans. Previous to 1983, the food plans were last revised in 1974-75.

Question: To whom do you provide this information? Who makes the final determination on what is included in the food packages and the cost associated thereto?

Answer: The revised food plans were published in Family Economics Review, a USDA periodical directed toward Extension agents and other communicators who work with families. Also, availability of the food plans from HNIS is noted on a monthly press release that presents the estimated costs for food in the food plans. Our Agency's staff of nutritionists, home economists, and economists make the final determination on what is included in the food plans and the associated cost. They utilize mathematical models, information on food consumption and prices that households of various economic levels report in our Nationwide Food Consumption Surveys, and nutritional goals based on the Recommended Dietary Allowances. To estimate monthly costs for the food plans, prices that survey households reported are updated using food price indices for about 100 foods and food categories from the time of the survey to the present. These indices are from the Bureau of Labor Statistics. The procedures we use for determining the food plans and estimating the costs monthly are published.

Question: By chance, do you know if the recent increase in the price of eggs which resulted from the serious avian influenza outbreak in our poultry population has been taken into consideration in the costing of the food plans? The cost of this one item could make a big difference in how much we need to appropriate for the nutrition programs. For instance, I'm told the WIC package includes 2 or 2-1/2 dozen eggs a month. In some areas, the price of eggs has increased by 25 to 50 cents a dozen.

Answer: Our budget projections for fiscal year 1985 were done prior to recent changes in the cost of eggs.

Food stamp benefits for fiscal year 1984 reflect the changes in the cost of the Thrifty Food Plan (TFP) for twelve months preceding June 30, 1983, as required by law. Prices had not yet been influenced by the flu outbreak and eggs accounted for a relatively small part of the TFP cost, 1.8 percent. In the most recent cost update of the TFP--January 1984--the cost of eggs in relation to the total cost of the TFP was still small, 2.3 percent.

For the WIC Program Budget Proposal, the CPI for food at home was used to estimate costs. However, as stated previously, in the WIC Program, the benefit is the actual food package; therefore the participants are provided the designated food packages including eggs, regardless of cost.

NUTRITION EDUCATION

Question: As you may be aware, the budget proposes elimination of the Nutrition Education and Training (NET) program and a rather drastic reduction ($25.5 million) in the Expanded Food and Nutrition Education Program (EFNEP) in the Extension Service. The reports and comments I receive are that the services provided by the Extension Service are vital and very important to the recipients, such as those individuals on food stamps or participants in the WIC Program.

In your ongoing nutrition education research, are you finding that there is no longer a need or demand for this type of education?

Answer: We believe there is a need for nutrition education and we are trying to find ways to provide this education more efficiently and effectively. HNIS has initiated a nutrition education research project aimed at low-income, low-literacy individuals who could constitute EFNEP participants. We do not yet have results from this study that could provide some answers as to how nutrition information can be communicated effectively.

The reduction in EFNEP was part of the reduction or termination of all Extension earmarked programs in order to maintain formula funds, which gives States maximum flexibility in setting priorities. Extension Service has reduced and simplified administrative requirements imposed on the States so as to facilitate targeting of EFNEP program efforts to areas of greatest need. States may also use Smith-Lever formula funds as well as State appropriations to supplement earmarked Federal funds for EFNEP.

The intent of the NET Program was to provide funds for the development of nutrition education and training programs at the State and local level. These programs are now well established, and the administration believes that further funding should be provided by the States. Many excellent materials were produced and incorporated into school curricula through the NET Program. The Food and Nutrition Information Center (FNIC), formerly part of HNIS, now associated with the National Agricultural Library, is developing an extensive national directory of NET materials that will be distributed to the States. This directory will help disseminate knowledge of NET-funded programs and materials to the nutrition community.

Question: If the Congress goes along with these budget cuts, who will perform these functions and services?

Answer: Funding of the NET program over the past several years has resulted in many excellent State-developed materials, as well as techniques for presenting information. These are available for use by the States in school settings. The NET directory being developed by FNIC will assist in the dissemination of these materials.

FNS and HNIS, along with other USDA agencies, are involved in the development of a nutrition education/thrifty food buying campaign for low-income people, primarily food stamp recipients. This represents one new Federal effort to provide nutrition education to persons who could be EFNEP participants. This project will provide materials--posters and fact sheets for food stamp recipients and slide sets--for community leaders who work with low-income households. It will provide some public service announcements for use locally and at the Federal level.

Local Extension agents, of course, have food-buying and education materials and programs which can be used with low-income households.

NUTRITION PUBLICATIONS

Question: How is the information on human nutrition that you put together disseminated to the public?

Answer: The public we serve is diverse, and we try to provide information in formats that are best suited to their needs. Our primary audience is composed of professionals who make policy decisions, conduct food and nutrition research, and educate the public on food and nutrition topics. For this audience, we provide information from our research in technical reports, most of which are distributed by the Government Printing Office, and in machine-readable form through the National Technical Information Service. We also use national tele-conferences and workshops to reach these audiences. Our staff gives papers at professional meetings and publishes in professional journals. We also prepare publications more appropriate for a consumer audience. These provide information that consumers can use to make informed food choices and to handle and prepare food in the home. These bulletins are distributed by the Government Printing Office. We also cooperate with the private sector in developing guidance for the public. Recent examples are a six-session nutrition course prepared in cooperation with the American Red Cross and a leaflet on food shopping tips prepared with the Food Marketing Institute.

Question: Does HNIS actually prepare documents or is the material and information supplied to another agency for publication?

Answer: All HNIS publications are prepared by our staff in accordance with guidelines by the Department's Office of Governmental and Public Affairs. Also, the information we provide on the nutritive value of foods, the nutritional quality of diets and food supplies, and food and nutrition guides and guidance is used nationwide by the Extension Service, the food industry, the media, and others as the basis for publications directed to their target audiences.

CONTRACTS

Question: Please provide for the record a list of all project contracts funded by HNIS in fiscal year 1983, giving a brief description of the project, the name of the contractor, the estimated completion date, the total funding requirement, and the funding necessary in fiscal years 1984 and 1985.

Answer: HNIS funded 21 project contracts in fiscal year 1983. None of these agreements require funding in fiscal years 1984 and 1985. The agreement number, contractor, research objective, completion date, and funding level for each project are as follows:

Agreement Number: 51-3198-3-63   Contractor: Westat

Research Objective:

Conduct a pilot study to implement various means for measuring on a continuing basis the nutritional status of low-income people in order to develop minimum common criteria and methods for systematic nutrition monitoring that could be applied on a nationwide basis (Phase II).

Completion Date: 01/31/85 Funding Level: $777,505

Agreement Number: 58-3198-2-56 Contractor: University of Missouri

Research Objective:

Analyze food costs and nutritional status, emphasizing food stamp and other income transfer programs, for populations at nutritional risk, including analysis of results from nine different methods for collecting dietary data.

Completion Date: 08/31/85 Funding Level: $216,230

Agreement Number: 58-3198-2-86 Contractor: KBL Group, Inc.

Research Objective:

Design and implement a research plan to investigate the feasibility of providing nutrition professionals on-line access to nutrition information by evaluating information requirements and usage behavior.

Completion Date: 09/30/84 Funding Level: $76,277

Agreement Number: 59-3198-3-15 Contractor: International Nutrition Foundation

Research Objective:

Provide support for the Planning Conference on International Network for Food Component Data Systems (INFOODS), which provides developers and users of food composition data with the opportunity to discuss the need and feasibility of setting up an international nutrient data bank network.

Completion Date: 05/01/83 Funding Level: $10,000

Agreement Number: 59-3198-3-99 Contractor: University of Minnesota

Research Objective:

Provide support for the Eighth National Nutrient Data Bank Conference, which provides guidance to users of nutrient data bases and promotes cooperation between industry and USDA in developing nutrient data for the National Nutrient Data Bank.

Completion Date: 08/25/83 Funding Level: $5,800

Agreement Number: 53-3198-3-122 Contractor: Case Western Reserve University

Research Objective:

Develop and field test an improved set of food measurement aids and interview probes for use in dietary intake surveys.

Completion Date: 03/15/85 Funding Level: $76,202

Agreement Number: 53-3198-3-123 Contractor: Virginia Polytechnic Institute and State University

Research Objective:
Determine the use of convenience foods in the diets of U.S. households according to nine food groups, aggregates of readiness classifications, and selected sociodemographic groups.

Completion Date: 09/15/84 Funding Level: $43,903

Agreement Number: 53-3198-3-124 Contractor: University of Maine

Research Objective:
Determine vitamin A active compounds (alpha and beta carotene, cryptoxanthin, and retinol) in 25 foods collected from 5 locations during 3 seasons.

Completion Date: 07/31/84 Funding Level: $49,989

Agreement Number: 53-3198-3-127 Contractor: University of Michigan

Research Objective:
Design and validate a food frequency questionnaire suitable for application in large-scale food consumption surveys.

Completion Date: 03/31/86 Funding Level: $358,771

Agreement Number: 53-3198-3-128 Contractor: University of Missouri

Research Objective:
Determine the proximate content, B-vitamin content, and nutrient retention of cuts of beef, pork, and chicken cooked after removal of fat or skin.

Completion Date: 09/11/84 Funding Level: $54,068

Agreement Number: 53-3198-3-129 Contractor: Kansas State University

Research Objective:
Determine the proximate, vitamin, and mineral content of samples of chicken obtained from fast-food chains under a statistically designed nationwide sampling plan.

Completion Date: 06/22/85 Funding Level: $93,706

Agreement Number: 53-3198-3-130 Contractor: University of Missouri

Research Objective:
Shorten the 1977-78 Nationwide Food Consumption Survey (NFCS) individual food intake nutrient data base and identify the consequences of such action.

Completion Date: 08/15/85 Funding Level: $68,943

Agreement Number: 53-3198-3-134 Contractor: University of Massachusetts

Research Objective:
Determine the amino acid and nitrogen content of 500 food samples which are primarily composite or mixed-dish items and fast-food items.

Completion Date: 09/30/85 Funding Level: $100,690

Agreement Number: 53-3198-3-136 Contractor: University of Arizona

Research Objective:
Determine the proximate components, mineral, vitamin, and cholesterol content, and the fatty and amino acid composition of 51 food items collected from Mexican-American fast-food chains.

Completion Date: 09/25/85 Funding Level: $92,862

Agreement Number: 53-3198-3-139 Contractor: National Food Processors Association

Research Objective:
Determine the contents of individual sugars, soluble and insoluble dietary fiber, total dietary fiber, and other carbohydrate fractions in selected foods.

Completion Date: 03/30/85 Funding Level: $72,425

Agreement Number: 53-3198-3-141 Contractor: University of Idaho

Research Objective:
Determine the vitamins, mineral elements, proximate components, and carbohydrate fractions in the solids and liquid portions of selected canned fruits and vegetables.

Completion Date: 09/30/85 Funding Level: $96,712

Agreement Number: 53-3198-3-143 Contractor: University of Hawaii at Manoa

Research Objective:
Serve as one of four test sites and participate in the evaluation of Nutrition Education Information System (NUTREDFO), an on-line computerized data base with accompanying software packages, as a case study for the use of on-line nutrition information by nutrition professionals.

Completion Date: 07/16/84 Funding Level: $31,810

Agreement Number: 53-3198-3-144 Contractor: Teachers College, Columbia University

Research Objective:
Serve as one of four test sites and participate in the evaluation of Nutrition Education Information System (NUTREDFO), an on-line

computerized data base with accompanying software packages, as a case study for the use of on-line nutrition information by nutrition professionals.

Completion Date: 07/16/84 Funding Level: $30,065

Agreement Number: 53-3198-3-145 Contractor: University of Wisconsin at Madison

Research Objective:
Serve as one of four test sites and participate in the evaluation of Nutrition Education Information System (NUTREDFO), an on-line computerized data base with accompanying software packages, as a case study for the use of on-line nutrition information by nutrition professionals.

Completion Date: 07/16/84 Funding Level: $25,469

Agreement Number: 53-3198-3-146 Contractor: Capital Systems Group

Research Objective:
Serve as one of four test sites and participate in the evaluation of Nutrition Education Information System (NUTREDFO), an on-line computerized data base with accompanying software packages, as a case study for the use of on-line nutrition information by nutrition professionals.

Completion Date: 07/16/84 Funding Level: $38,056

Agreement Number: 53-3198-3-148 Contractor: Information Concepts

Research Objective:
Implement revised National Nutrient Data Bank design by use of PL/1 and VSAM to install a replacement nutrient data bank system at the Washington Computer Center.

Completion Date: 09/30/85 Funding Level: $388,377

FOOD AND NUTRITION BOARD

Question: Please provide the names of the members of the Food and Nutrition Board.

Answer: The members of the Food and Nutrition Board of the National Academy of Sciences as of March 1984 are as follows:

Kurt J. Isselbacher
Chairman
Massachusetts General Hospital
and Harvard School of Medicine
Boston, Mass.

Richard L. Hall
Co-Vice Chairman
Science and Technology
McCormick & Company, Inc.
Hunt Valley, Md.

Jean-Pierre Habicht
Division of Nutritional Sciences
Cornell University
Ithaca, N.Y.

Richard J. Havel
Cardiovascular Research
Institute
University of California
School of Medicine
San Francisco, Calif.

Hamish N. Munro
Co-Vice Chairman
Human Nutrition Research
Center on Aging
Tufts University
Boston, Mass.

Sol H. Chafkin
Local Initiatives Support Corp.
New York, N.Y.

William E. Connor
Department of Medicine
Oregon Health Sciences
University
Portland, Ore.

Ivan D. Frantz
Departments of Medicine
and Biochemistry
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Question: What is the amount of the grant to the Board for the investigation of the degree of risk associated with nutrient intakes that fail to meet the RDA?

Answer: The grant to the Food and Nutrition Board of the National Academy of Sciences for the study "Formulate Criteria for Evaluating Dietary Intakes of Individuals" was for $241,850.

Question: Has the Food and Nutrition Board of NAS received any other grants from HNIS? If so, please provide details.

Answer: The Human Nutrition Information Service made one other grant to the Food and Nutrition Board of the National Academy of Sciences. This was done jointly with the Department of Health and Human Services for the study "Utilization of National Food Consumption Data." The amount of this grant was $257,000.

FOOD AND NUTRITION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

LOW-INCOME NUTRITION

Question: Do you have any recent studies that show the degree of improvement of low-income nutrition since the mid-1960's when the "War on Poverty" was declared? What were the results of the most recent study?

Answer: The United States Department of Agriculture's Nationwide Food Consumption Surveys can be used to compare food consumption patterns and nutrient intakes of low-income households between 1965 and 1977. These surveys are nationally representative and are our best resource for following such trends.

In 1977, low-income households generally consumed more of most vitamins and minerals than low-income households in 1965 (only calcium intake declined). Energy and fat consumption decreased.

In general, low-income and high-income households in 1977 used foods that were more similar in nutrient content and used quantities of the various food groups that were more similar than did high and low-income households in 1965.

These are positive trends in nutrient intake and food consumption. However, these USDA surveys cannot tell whether these trends translate into improved health. They also do not tell us whether these changes are due to government assistance programs, societal or technological changes or systematic measurement errors.

HUNGER TASK FORCE

Question: The President's task force said that hunger was defined by different people in different ways, which made statistics hard to come by. Why can't you set a definition of hunger, or maybe two or three definitions of the degrees of hunger, and do statistical surveys based on those definitions?

Answer: The Human Nutrition Information Service (HNIS), and the Department of Health and Human Services (DHHS) do conduct nutrition monitoring surveys using a variety of measures including anthropometric, e.g., height or weight, biochemical, e.g., anemia, blood vitamin or mineral levels, clinical, e.g., night blindness, or dietary assessments. For every measure, there are differing levels of severity. One or a few definitions would not fully capture the range of problems with sufficient meaning.

Question: How many meals per day does the United States Government subsidize?

Answer: I cannot provide an answer for the government as a whole but the programs administered by the Food and Nutrition Service (FNS) subsidize wholly or in part about 95 million meals per day. Participation to date in Fiscal Year 1984, indicates that the School Lunch Program will serve an average of 23.7 million meals per day. The School Breakfast Program will serve an average per day of 3.4 million, and the Child Care Feeding Program will serve an average per day of 1 million. The Food Stamp Program subsidizes about 63.3 million meals per day. Our other programs subsidize about 4.1 million meals per day.

TEMPORARY EMERGENCY FOOD ASSISTANCE

The Temporary Emergency Food Assistance Program assists State agencies with intrastate storage and transportation of Commodity Credit Corporation (CCC) commodities donated to families.

In March of last year, the program was authorized for Fiscal Year 1983 and $50 million was appropriated in the Emergency Jobs Bill. In September, it was authorized through Fiscal Year 1985, and the Continuing Resolution under which we are currently operating included an appropriation for Fiscal Year 1984. I was pleased to see that you requested funds for this program for Fiscal Year 1985.

Question: Last year you testified in support of this program. Do you still support it? Are you satisfied with the results? Are States spending the money wisely?

Answer: We believe that States and local agencies are currently using Federal funds judiciously. The 1985 budget includes a request for $50 million in the Commodity Credit Corporation (CCC) account.

Question: How is this money allocated? Is it based on a formula, or some other method?

Answer: States are allocated these funds on the basis of a formula combining the number of unemployed persons in the State (40 percent) and the number of persons in each State below the poverty level (60 percent). Because Public Law 98-8, as amended, was enacted as an emergency relief measure to address problems created by poverty and unemployment, the United States Department of Agriculture felt it was appropriate to use these factors in identifying areas most in need of emergency relief.

Question: How much, in terms of commodities, was distributed last year by FNS? How much more, if any, was distributed as a result of this assistance program than would have been distributed without the program?

Answer: Last year, in Fiscal Year 1983, nearly 680 million pounds of commodities valued at over $983 million were distributed under the Temporary Emergency Food Assistance Act. Prior to this particular legislation, there was a substantial donation program that distributed commodities at a very high rate. We believe that this "all-volunteer" program worked very well. We do believe that most States would have continued to operate the special distribution and that most, if not all, of the commodities offered to the States would have been distributed.

Question: What efforts are made to ensure that only the needy receive these commodities?

Answer: The regulations governing the administration of the temporary emergency food assistance efforts require that each State agency establish criteria for determining which persons are eligible to participate in the program. These criteria must include income-based standards and the methods by which persons may demonstrate eligibility under those standards. The State agency must submit a plan containing the eligibility criteria which needy persons must meet to participate in the program for approval by the appropriate Food and Nutrition Service regional office.

CHILD NUTRITION

Question: Which programs and in what States, are programs Federally administered rather than State administered? What is the cost of administering these programs? Why don't all States just let you administer the programs they don't want to administer?

Answer: The following table indicates, by program, the Federal administration of child nutrition programs in pertinent States: The Federal cost of administering these programs is currently about $2 million and 100 staff years. Any State which has, since October 1, 1980, continuously deferred the administration of Federal child nutrition programs to the Secretary is permitted to continue doing so under current legislation. No other States have this option.

STATES IN WHICH VARIOUS CHILD NUTRITION PROGRAMS ARE FEDERALLY ADMINISTERED

STATE	SUMMER FOOD	CHILD CARE FOOD	NATIONAL SCHOOL LUNCH		SPECIAL MILK			
			PRIVATE SCHOOLS	RESIDENTIAL CHILD (1) CARE INSTITUTIONS (RCCI'S)	PRIVATE SCHOOLS	RESIDENTIAL CHILD (1) CARE INSTITUTIONS (RCCI'S)	SUMMER CAMPS	NON-RCCI'S
ALABAMA			X	X	X	X		X
ALASKA	X							
CALIFORNIA	X							
COLORADO		X	X	X	X	X		X
DELAWARE			X		X			
GEORGIA	X			X		X	X	X
HAWAII	X	X	X	X	X	X	X	X
KANSAS	X							
MAINE							X	
MICHIGAN	X							
MINNESOTA	X							
MISSOURI	X	X		X		X	X	X
NEBRASKA	X	X	X	X	X	X	X	X
NEW YORK	X	X			X			
NORTH DAKOTA	X						X	
OREGON	X	X					X	X
SOUTH CAROLINA	X	X (2)	X	X	X	X	X	X
TENNESSEE	X	X	X	X	X	X	X	X
VIRGINIA	X	X	X	X	X	X	X	X
WASHINGTON	X	X	X	X	X	X	X	X
WYOMING	X							

1. Either public or private residential child care institutions.
2. Federal administration of the South Carolina Child Care Food Program is scheduled to end June 30, 1984.

Question: What is the current subsidy for free, reduced price and paid school lunches? School breakfasts? How much would it cost to provide free lunches for all students in the United States?

Answer: The current federal subsidies effective for School Year 1983-1984 including entitlement commodities for the National School Lunch and School Breakfast Programs are in cents as follows:

	NSLP*	SBP
Paid	23.00	9.00
Reduced Price:		
Regular	91.75	32.75
Severe Need	N/A	45.50
Free:		
Regular	131.75	62.75
Severe Need	N/A	75.50

*School lunch rates include 11.50 cents for commodity subsidy rate.
N/A means not applicable.

Also, schools in which 60 percent or more of the total lunches are served at free or reduced price rates receive an additional 2 cents for all lunches. States also receive approximately 10 cents in bonus commodity assistance for each NSLP lunch.

Because determining the cost of providing a free lunch for all students in the United States is subject to a number of different assumptions, the Department has not computed an estimated cost. The calculation would be affected by assumptions such as; whether all children eat all meals, whether all public and private schools participate, and whether only school lunch or school lunch and school breakfast are considered.

Question: In its report to the Congress concerning possible budget cuts and savings associated with those cuts, the Congressional Budget Office estimates that $1.4 billion could be saved over the next five fiscal years if subsidies for meals to the non-poor were reduced. Was this ever considered in your budget preparation?

Answer: The Congressional Budget Office estimate referred to eliminating all subsidies to children above 185 percent of the poverty line. The Administration proposed this in its Fiscal Year 1982 budget. The idea was not enacted, but a compromise proposal to reduce subsidies to the non-poor was enacted. Each year the Agency reviews a broad range of alternatives, including this one, in developing the budget.

Question: What is the current income level of families at which their children will be eligible for free, reduced price and paid school lunches.

Answer: The National School Lunch Act requires the United States Department of Agriculture to issue income eligibility guidelines to establish uniform eligibility criteria for those seeking free and/or reduced price meals and requires that these guidelines be revised annually to reflect changes in the Consumer Price Index.

The guidelines for free meals are currently set at 130 percent of the Federal income poverty guidelines or an annual income of $12,870 for a family of four. The guidelines for reduced price meals are set at 185 percent of the Federal income poverty guidelines or an annual income of $18,315 for a family of four. There are no income restrictions for students who pay full price for their lunches.

INCOME VERIFICATION

Question: Last year, you published interim regulations requiring income verification for a small (3%) sample of families receiving free and reduced price meals. How widely has that been implemented? Have you received any complaints from school districts concerning the implementation of these regulations? Do you have any indication as to the effectiveness of this approach?

Answer: To the best of our knowledge, all school districts have implemented the requirement that they verify the lesser of 3% or 3,000 of their free and reduced price meal applications. On recent trips to review verification efforts in different States we received many positive comments concerning verification. The major criticism of verification has been the increased administrative burden. Our review of verification implementation indicates that misreporting of household income has been reduced as a result of verification and by an improved application form.

We have proposed a rule which would allow a smaller sample for verification if the sample is selected based on probability of error. Using this optional approach, schools may verify the lesser of 1 percent or 1,000 of their free and reduced price applications if they select the applications from those which reported income near the eligibility limits. In addition, schools using this alternative must verify the lesser of .5 percent or 500 of those applications which claimed food stamp eligibility instead of providing income information. The proposed regulation also increases the income information collected on the applications for benefits. The application will request income information by source and by household member since the Department has found this to be a significant deterrent to misreporting. Application completion will be easier for food stamp households since they may substitute their food stamp case number for income information. We believe that these changes will improve the verification system and offer additional flexibility to school districts.

The comment period for this proposal closes on April 30, 1984.

MEAT CONTAMINATION

Question: Last year, you had problems with contamination of meat from a meat packing company in Colorado and one in Nebraska. How much did that cost the U.S. Government? Was that meat replaced in sufficient time to prevent a shortage of food for the programs that the meat was to serve?

Answer: The Department has incurred expenses of about $28 million as a result of the Cattle King and Nebraska Beef Processors' situation. We have taken legal action against the parties involved and are suing for replacement cost and any other related storage and transportation expenses. All beef was removed for recipient agencies and replaced in time for use this school year.

FISCAL YEAR 1984 SUPPLEMENTAL

Question: When will the supplemental request for the Child Nutrition Programs become critical?

Answer: The supplemental for the Child Nutrition Programs is needed by early June 1984 to pay for May meal claims and commodities purchased after June. The Department estimates that the current funding will be sufficient to pay for meals served through mid-May.

LEGISLATIVE SAVINGS

Question: You have also requested elimination of the Nutrition Education and Training Program. This, as you know, is a very popular program, and benefits 3.2 million people. That seems like a pretty good ratio for a $5 million investment. If it is eliminated, will the States continue the program? If you come to find or if you have already found that the States will not continue the program, what justification can you give us for eliminating the program?

Answer: The Nutrition Education and Training (NET) Program was originally begun to provide seed money to States to implement or augment existing nutrition education programs. By now it should have created the basis for successful programs in States which are interested. It is now time for States to decide whether they wish to continue such a program and the appropriate funding level. Besides their own funds, States are free to use State Administrative Expense funds and allocations from the proposed Non-School Food Program grant for nutrition education purposes.

Question: Could you explain how the new calculation of the payment rate for reduced price lunches and breakfasts will save $6.7 million?

Answer: The new calculation works by taking the reduced-price subsidies effective July 1, 1983 and increasing them each successive year by the projected CPI index for Food Away From Home. The rates under current law represent the subtraction of a set amount from the free subsidies for lunches and breakfasts. The rate differences are then multiplied by the projected number of reduced price meals. The $6.7 million in Fiscal Year 1985 savings consists of $6.3 million for reduced price lunches and $.4 million for reduced price breakfasts.

Question: Why do you propose to consolidate the Child Care Food Program and the Summer Food Services Program? Is there some savings attributable to this consolidation? Will participation be maintained at current levels for these programs? Will those block grants go to the States earmarked, or will they be general grants for use as States see fit?

Answer: The proposed consolidation will give States near total authority in the administration of non-school food programs designed to meet their individual needs. Funding for this consolidation of programs has been set at the current services level in Fiscal Year 1985. No indexing will be included in the out year funding estimates because the proposal stabilizes the funding level. The Department believes the grant approach will simplify program administration and reduce costs.

Question: Will participation in the Marshall and Mariana Islands be decreased if funding is transferred to the State Department?

Answer: Participation in the Marshall Islands and the Federated States of Micronesia will be a matter of local self-determination in the use of a State Department grant. These territories, released from trusteeship under a Compact of Free Association to be ratified by Congress, will no longer be eligible for formal participation in the Federal Child Nutrition Programs under current law. The Northern Marianas Islands are not affected by this change.

Question: Once again, you have proposed to transfer the food assistance portion of the Head Start program to the Department of Health and Human Services. What change in the quality of service and number of participants would take place?

Answer: The transfer is expected to result in enhanced service as a result of administrative simplification at both the Federal and local level. The quality of meal service is expected to remain high since the Head Start subsidy provided by the Department of Health and Human Services will include reimbursement for meal costs. Budget estimates developed for the transfer proposal assume no decrease in the number of participants.

SCHOOL LUNCH

Question: I noticed that you want to discontinue the pilot study on alternatives to commodity distribution in the school lunch program. Last year, we felt an extension of the program was needed due to a mid-year change of course in the manner in which the current study was being conducted. Why do you want to discontinue this study?

Answer: We believe that an extension of the pilot study is unnecessary because the study has been conducted for two years and has generated data and operational experience that are adequate for analysis. The third year of data collection on the same subject would not materially improve the analysis needed to complete the study. Further, the Department believes that it is unreasonable to further aggravate the current funding deficit in the child nutrition account to purchase additional dairy products through commerical channels when the Department already has a large inventory of dairy products.

Question: What is the difference in the regular school lunch assistance program for free and reduced price meals and the special assistance program for free and reduced meals?

Answer: The National School Lunch Act authorizes two forms of Federal school lunch assistance, Section 4 and Section 11. Section 4 is general cash assistance for all school lunches; that currently amounts to 11.50 cents for each lunch served to participating children. Section 11 is special cash assistance for free and reduced price lunches only, and is in addition to the Section 4 subsidy. Current Section 11 assistance is 68.75 cents for each reduced price lunch and

108.75 cents for each free lunch. This amounts to a total Federal subsidy of 80.25 cents for each reduced price lunch and 120.25 cents for each free lunch. In addition, each meal receives a commodity subsidy equal to 11.5 cents and additional surplus commodities as bonus.

Question: In your budget notes, you show that the number of paid and reduced price lunches decreased from Fiscal Year 1982 to Fiscal Year 1983, while free lunches increased 5.3 percent. To what do you attribute these changes?

Answer: The decrease in reduced price lunches may have resulted from a number of variables including the general decline in the number of school age children and general economic conditions. Additionally, increased emphasis on the verification of applications may have had more of an effect on the reduced price applicant population.

Question: You propose to link verification of income eligibility to State and local governments. What changes will take place in the verification process if this is approved?

Answer: The proposal involves an option for local food stamp offices to prepare a notice of Food Stamp Program participation for schools for those school meal applicants who participate in the Food Stamp Program. Under proposed legislation, some costs of this certification would be reimbursed with Federal funds. The transmittal of the certifications to the school or school food authority would eliminate the need for additional verification of these families. This will allow schools to concentrate verification efforts on non-food stamp families, who have been found to be more likely to misreport income.

Question: You also propose to eliminate Federal administration from school lunch programs where States do not administer the program. How many students will this affect? Why have those States chosen not to administer the program themselves?

Answer: Latest available data indicates that approximately 100,500 students attend private, nonprofit schools or institutions in which the Federal government (not the States) administer the school feeding programs.

In most cases, States do not directly administer these programs because the State has decided not to do so. In some cases States indicate that their State constitutions prohibit the disbursement of funds to private schools and sponsors or other State legislation prevents State agencies from operating the programs. It is our understanding that relatively few of these States actually have constitutional prohibitions against program administration.

CHILD CARE

Question: Why has the number of institutions participating in the Child Care Food Program and the School Breakfast Program decreased in the last couple of fiscal years?

Answer: The total number of children participating in the Child Care Food Program increased from about 880,000 in December 1981 to 966,000 in September 1983. The number of institutions participating in the Child Care Food Program increased from 8,531 in December 1981 to 8,640 in December 1983.

In the School Breakfast Program there was a slight decline in the number of participating schools in Fiscal Year 1983. However, the preliminary data for Fiscal Year 1984 shows an increase in the number of participating schools to an all time high level of approximately 34,364. Since school enrollment is declining, school consolidations and closings affect the School Breakfast Program as they have impacted the School Lunch Program. We expect that most of the children involved will continue participating at their new schools.

Question: In the Child Care Food Program, the child care centers must be nonprofit facilities and must be licensed or approved according to Federal, State or local standards. How much do these standards vary from Federal to State to local?

Answer: First, we wish to clarify that child care centers do not necessarily need to have nonprofit status in order to participate in the Child Care Food Programs (CCFP). By law, profit-making centers may participate in the CCFP if at least 25 percent of their enrolled children are receiving assistance through the Title XX program administered by the Department of Health and Human Services. With respect to licensing standards, our experience has shown that licensing or approval standards can vary significantly from State to State or even among local jurisdictions within a State, depending upon local resources and conditions. In recognition of this diversity, the traditional policy for the CCFP has been to accept the judgment of the State or local officers charged with making decisions about the suitability of facilities desiring to provide child care. The alternate approval standards established in the CCFP regulations are employed only when no other licensing or approval mechanism exists. These standards were based on the Federal Interagency Day Care Requirements as amended by Title XX, and they were intended to enable CCFP administrators to determine the adequacy of child care in the absence of applicable State or local standards.

Question: In both the school lunch program and the school breakfast program, your Fiscal Year 1985 proposals would increase participation by students from families above 185 percent of poverty, while at the same time, participation by students under 130 percent of poverty would decrease. How can you justify your proposals in light of these figures?

Answer: The changes in participation you refer to are the result of more accurate classification of children applying for free and reduced price meals. Our income verification proposal would have food stamp offices provide notices for all school age children of food stamp families. The notices would serve as verification of their free lunch status. This policy would free school officials to concentrate their income verification activities on non-food stamp households which are more than five times as likely to misreport their income.

WIC

Question: An editorial recently published estimated that "vitamin fortification could provide for 100% of a child's recommended daily allowance for less than $3 per year in ingredient costs." Do you have any figures to support or discredit that estimate?

Answer: The Food and Drug Administration (FDA) is the responsible policy-making body on the vitamin fortification issue. The United States Department of Ariculture is therefore not in a position to comment on the viability of the estimate cited in the question.

The concept of recommended daily allowances is not limited to vitamin intake, but is equally important for other substances in the diet such as minerals, protein, fiber, and calories. While vitamin fortification is a useful way to improve the vitamin content of diets, it cannot alone provide all necessary nutrition. Nutritionists recommend that these substances are best provided through foods.

The WIC Program recognizes the role of vitamin supplementation for its target population, but has always also stressed a balanced diet rich in many nutrients. The nutrition education component of the WIC Program was designed to emphasize the relationship between proper nutrition and good health, and to help participants achieve a positive change in food habits that will remain long after they leave the program.

FISCAL YEAR 1984 WIC SUPPLEMENTAL

Question: Why have you requested only $167 million in the supplemental for WIC when the Fiscal Year 1984 conference report clearly stated the intent of Congress is to maintain current caseload and request a $300 million supplemental?

Answer: It is not our interpretation that the conference report mandated that the United States Department of Agriculture submit a supplemental request of $300 million, only that Congress considered this level in their cost projections.

Question: What is the current caseload for WIC?

Answer: The average monthly participation through January of Fiscal Year 1984 was 3,006,177.

Question: How many participants will have to be dropped from the rolls this year to reach the desired average participation rate of 2.8 million?

Answer: Given the participation levels to date and assuming they remain virtually static until July, participation in the last quarter of Fiscal Year 1984 would have to average 2.2 million persons per month.

Question: How soon would participants begin to be cut off the rolls?

Answer: Program funds are available to maintain current caseload levels through July 10th. Any program cuts, would affect the last quarter of the fiscal year.

FISCAL YEAR 1985 WIC REQUEST

Question: You have requested an amount sufficient to support a 2.7 million caseload in Fiscal Year 1985. If participation is decreased to just over 2 million by the end of Fiscal Year 1984 to accommodate the 2.8 million average, won't a 2.7 million rate in Fiscal Year 1985 cause a roller coaster effect in participation?

Answer: If participation were to fall to 2 million by the end of Fiscal Year 1984, it would require a significant increase in participation in Fiscal Year 1985 to average the 2.7 million participants. The swings in participation levels are influenced by the speed at which caseload can be added or removed. To the extent that States can manage caseloads, these changes in participation level can be moderated.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

Question: You estimate a $13.1 million carryover for the Commodity Supplemental Food Program. Why has that money not been obligated? Is there a lack of demand for the program?

Answer: Participation in the Commodity Supplemental Food Program has been lower than would be sufficient to use all available food and administrative funds. For example, though we currently authorize States to serve up to 173,410 people, as of January 1984, only 136,341 were actually being served. The carryover in the Commodity Supplemental Food Program from Fiscal Year 1984 to 1985 is the result of two factors: (1) surplus foods provided by the CCC substituting for commodities which would have been purchased from this account in Fiscal Year 1983, and (2) commodities purchased late in Fiscal Year 1983 which are being used by the participants in 1984.

Question: Why do you propose to consolidate WIC and the Commodity Supplemental Food Program? Will participation in either program be reduced by this change?

Answer: No, sir. We believe that since WIC and CSFP both have similar objectives in providing supplemental nutritious food to women, infants and children it would be more efficient to combine these similarly targeted programs into a single appropriation in order to simplify financial management. We do not propose to consolidate program operations.

Question: I notice that you are near completion of the pilot projects in Detroit, Des Moines, and New Orleans for distributing commodities to the elderly. Are you pleased with the results so far? Why do you expect a carryover of Fiscal Year 1984 funds to complete these programs? Has there not been enough demand?

Answer: As required by the Conference Report on Public Law 97-98, we are now developing the second of the annual reports to Congress on the elderly feeding pilot projects. This report will cover operations of all three projects through Fiscal Year 1983. It will provide a detailed description and assessment of project operations, a statistical profile of the participant population, and a discussion of operational issues. We are not prepared to provide an evaluation of the projects in advance of this report, which should be completed soon.

If grantees are unable to spend all their funds by the end of Fiscal Year 1984, they will be able to use these funds in Fiscal Year 1985. It should also be noted that the projects in Des Moines and New Orleans fell considerably short of their projected participation levels in Fiscal Year 1983. This appears to be attributable not to insufficient demand for project benefits, but to administrative limitations affecting the grantees.

WIC - GENERAL

Question: What is the current rate of participation in the WIC Program compared to total eligible population?

Answer: For Fiscal Year 1984, monthly WIC participation has averaged 3,006,177. Based on 1982 survey data, we currently estimate that approximately 10.3 million persons meet the WIC income criteria. Subject to the qualifications discussed below, this figure represents approximately 29 percent of the eligible population.

The estimate of income eligible persons was developed from the following sources: data on children below 185 percent of poverty, presented in the U.S. Census Bureau's 1982 Current Population Survey; and data on live births, collected in 1982 by the National Center on Health Statistics. For the following reasons, however, we must exercise caution when using this estimate. The population survey data reflects all children below 185 percent of poverty, while regulations permit State agencies to set WIC eligibility between 100 and 185 percent. In addition, the lack of available information precludes our factoring nutritional risk into our estimates. If these factors could be considered, the number of potentially eligible persons would probably be lower. A study to determine an estimate of potential eligibles, considering both income and nutritional risk, is currently underway.

Question: How much funding would be required to support full participation in the WIC program?

Answer: Due to the lack of available information, the number of persons who are both at nutritional risk and income eligible still cannot be included in the estimate process. Therefore it is impossible to compute a funding level.

Using data from the 1982 U.S. Bureau of Census Population Survey and the National Center on Health Statistics, we roughly estimate that nationally 10.3 million persons are income eligible.

Question: How many eligible applicants are turned away from the WIC Program due to lack of funding?

Answer: FNS does not collect, nor does it require States to collect, data concerning the number of eligible applicants turned away from the WIC Program. Local agencies at maximum caseload must maintain a waiting list of high priority applicants most likely to be served when vacancies occur. This procedure ensures that persons at greatest nutritional risk are served as spaces become available.

Question: Last year I asked how many eligible persons were turned away in Mississippi because of lack of funding. I also asked how that compared with a State that may be a little better off financially. Your response was that estimates on a State-by-State basis were not available at the time. Do you now have these statistics?

Answer: No, we do not ask State agencies to report statistics on the number of persons who have applied for the program or who are on waiting lists. However, using data from the 1980 Current Population Survey of the Bureau of Census (which is the most current data for State poverty indices) and the National Center on Health Statistics, we estimate the number of potential income eligible persons in Mississippi is 153,355. Current reports indicate the State agency is serving an average monthly caseload of 82,342. This represents 53.69 percent of its potential income eligible population, which is well above the national average. If the nutritional risk criteria were considered, the percentage served would be higher.

WIC ELIGIBILITY

Question: What are some of the conditions of a person who is "at nutritional risk" who is eligible to receive WIC assistance?

Answer: In both the current and proposed WIC regulations, nutritional risk is defined as:

- detrimental or abnormal nutritional conditions detectable by biochemical or anthropometric measurements;
- other documented nutritionally related medical conditions;
- dietary deficiencies that impair or endanger health; and
- conditions that predispose persons to inadequate nutritional patterns or nutritionally related medical conditions.

The regulations further define nutritional risk by citing examples of conditions which may be used as a basis for certification for infants, children, and pregnant and postpartum women. Examples of these include anemia, low birth weight, stunted growth, obesity, abnormal pattern of weight gain during pregnancy, underweight during pregnancy, adolescent pregnancy, alcohol, tobacco or drug abuse, multiple pregnancy, chronic infection, toxemia, conception before 16 weeks postpartum, and mental retardation. Within the Federal parameters, WIC State agencies establish more specific nutritional risk criteria for each of the categories of participants. A competent professional authority on the staff of the WIC local agency determines the nutritional risk of an applicant through a medical and nutritional assessment, including a blood test. Further, the regulations define a nutritional risk priority system to be applied when vacancies occur after a local agency has reached its maximum participation level. The purpose of the priority system is to ensure that those persons at greatest nutritional risk receive program benefits.

JOBS BILL

Question: How much effect did the Jobs Bill appropriation have on WIC participation?

Answer: Funds authorized by the Jobs Bill were released to WIC State agencies in April of 1983. Thus, WIC program participation levels could be expected to reflect this additional support during the second half of Fiscal Year 1983. Participation data reported by State agencies as of April 1983, pre-Jobs Bill, and September 1983 after the Jobs Bill, reveal trends which have been summarized in the table which follows:

WIC Participation

Participants	April 1983	September 1983	Percent Change
Women	501,774	664,833	+32.5
Infants	725,588	815,992	+12.5
Children	1,200,759	1,482,782	+23.5
Total	2,428,121	2,963,607	+22

Question: Did State WIC agencies encounter problems in using the increased funds in the period provided?

Answer: Many State agencies were unable to use all of the additional funds. As Public Law 98-8 required that these funds be spent before regularly appropriated Fiscal Year 1983 funds, about $49 million in Fiscal Year 1983 regularly appropriated funds were unspent.

TARGETING WIC BENEFITS

Question: What efforts are you making to ensure that the most needy are receiving the most assistance in the WIC Program?

Answer: Once a local agency has reached its maximum caseload, it establishes a waiting list of high priority applicants most likely to be served when vacancies occur. As openings occur, local agencies must apply a regulatory participant priority system to the waiting list to ensure that persons at greatest nutritional risk are served first. This priority system has six levels, the highest being pregnant and breastfeeding women and infants at nutritional risk as demonstrated by documented nutritionally related medical conditions.

We understand that several States are implementing a program of targeted outreach which would focus benefits on groups at greatest nutritional risk, such as pregnant or breastfeeding women and infants. FNS is looking into the feasibility of conducting research on targeted outreach and developing guidance on increasing the participation of pregnant women.

WIC PACKAGE COST

Question: What is the average monthly cost per package in the WIC Program?

Answer: The average monthly cost per person through January 1984 is $37.64, of which $30.78 is for food costs.

Question: When preparing this budget request, did you take into account the rising cost of eggs? The increase in food costs anticipated for the middle of 1984? The increase in infant formula costs?

Answer: The Fiscal Year 1985 budget was developed using a set of economic assumptions prepared in December 1983. At that time, there was no significant indication that there would be any unusual rise in food costs.

WIC ADMINISTRATIVE COSTS

Question: I'm told by some people, including people in Mississippi, that WIC administrative expenses go almost completely to administering the program itself. For example, 75 percent in Mississippi goes for paying health officials for examinations but none for equipment or furnishings that are necessary for efficient administration of the program. Despite this, you propose to reduce the amount of administrative expense allowance to 18 percent of the food program costs. You justify this by saying that the decreases will be offset by an increase in food for the program. How do you expect State agencies to administer increased amounts of food if they don't have the equipment and personnel to handle it?

Answer: Overall, we believe that the reduction of administrative funds can be accomplished carefully to make the program more efficient. Key elements include reduction of administrative burdens through deregulation and guidance by FNS.

In referencing the need for equipment and personnel to handle incressed amounts of food, you may be thinking of Mississippi's unique method of providing WIC foods directly from warehouses which is different than the methods used by the remainder of the country which provide vouchers redeemable at retail stores or home delivery of foods via contracted vendors. It would cost more in administrative funds for Mississippi to handle increased food distribution, but the administrative costs for all other States would be negligible since the increased volume of food handled would primarily affect their food, not administrative, budgets. If administrative funding was reduced, any recalculation would take into account the special requirements of Mississippi's direct food distribution system.

Question: Last year, you proposed what you called "equity" and "stability" funding for States in the WIC Program where States which aggressively implemented the WIC Program would have suffered, and States which had been slow to implement WIC would benefit. In August, you changed your mind. Is there any prospect for proposing that again?

Answer: The funding formulas proposed last year were modified slightly but do retain the basic principles of "stability" and "equity". The final formulas were used to distribute Fiscal Year 1984 funds. The stability portion of the formula ensured that each State agency had funds to serve its Fiscal Year 1983 year-end particiation level. Therefore, no State agencies would have suffered as a result of aggressive program expansion efforts initiated in response to additional funds provided by Public Law 98-8. Funds remaining after stability grants were allocated were used for equity grants to those States that were serving a smaller proportion of those persons in need of the WIC Program. We anticipate using these same basic principles for future allocations.

Question: How will the decrease in funds be distributed among the States? Will you use something similar to the "equity" and "stability" formulae?

Answer: The basic funding formula principles would be applied for any funding decreases. However, as the funding formula gives stability precedence over equity, the method of decrease would make stability a prime consideration so that program services would encounter the least disruption.

HUNGER IN AMERICA

The General Accounting Office (GAO) pointed out in its June 23, 1983, report entitled, Public and Private Efforts To Feed America's Poor (GAO/RCED-83-164) that there is no accurate assessment of the extent to which Americans are going hungry or are malnourished. The President's Task Force on Food Assistance found likewise. In its January 1984 report, the task force pointed out that those who argue that hunger is widespread rely on indirect measures such as the numbers of people at or below the poverty level or who seek food assistance.

These findings point out the need for steps to be taken to improve information on the nutritional status of Americans. There is concern that hunger and malnourishment in America are reappearing in spite of past studies in these areas and the billions of dollars being spent each year on food assistance programs. With the current emphasis on budget restraint, it is important that a solid nutritional information base be established. This will allow for better determinations to be made with regard to the kinds and amounts of assistance to be provided with today's tight resources.

Question: What is USDA doing to shed more light on the extent of hunger and malnourishment in America?

Answer: With the use of 1984 funds, the Human Nutrition Information Service is planning to initiate a Continuing Survey of Food Intakes of Individuals. The survey would be on a core monitoring group--a nationally representative sample of 1,200 women 19-50 years of age at all income levels and their children 1-5 years of age. With the increase we have requested for Fiscal Year 1985, this survey would be expanded to include a nationally representative sample of 1,200 low-income women 19-50 years of age and their children 1-5 years of age.

Question: How does USDA define hunger? How about malnourishment? Are USDA's food assistance programs directed towards eradicating hunger, malnourishment or both?

Answer: There are many possible ways to define "hunger" or "malnourishment". USDA has not selected official definitions of either term, although we conduct research and administer food assistance programs which touch on both. USDA's food assistance programs focus primarily on providing food to poor persons with incomes close to poverty. We recognize that having a low income is not necessarily an exact measure for nutritional need. However, we do believe that, by continuing to improve the targeting of an array of food assistance programs to low-income persons, we are doing our best to meet the dietary needs of poor Americans.

FOOD PROGRAM EVALUATION

Question: How does USDA measure the worth of its food assistance programs? How can USDA tell whether any progress is being made towards reducing hunger and malnourishment in America?

Answer: USDA has a variety of means to evaluate its food assistance programs. These include: special evaluation studies, such as the recent National Evaluation of School Nutrition Programs, our National Food Consumption Surveys, cooperative efforts with the Department of Heath and Human Services, such as with the National Health and Nutrition Examination Surveys or the Center for Disease Control nutrition surveillance systems, and ongoing program reports on the number of people served and benefits provided.

There are no simple or clearcut ways to determine the effectiveness of our programs; studies may have design weaknesses which prevent them from being totally conclusive. For example, we cannot simply compare food consumption surveys from one period and another to determine program effectiveness, since societal changes and food supply changes also affect consumption. We report program data and study results to Congress and the public in an effort to allow them to make their own informed judgments on program effectiveness. Some of our research, such as the special evaluation studies, is more carefully designed for specific program evaluation purposes and we may draw inferences with more confidence on our programs' effectiveness from this research.

NUTRITIONAL SURVEILLANCE

Question: What nutritional surveillance programs are currently underway in USDA? What is the extent of their funding? Can you discuss USDA efforts to coordinate its nutrition surveillance activities with similar activities of other Federal or State agencies?

Answer: The Department, specifically the Human Nutrition Information Service, is now in the process of initiating a Continuing Survey of Food Intakes of Individuals. With the increase we have requested for Fiscal Year 1985, the sample will be expanded to include a low-income sample. Also, we are planning for the household phase of the Nationwide Food Consumption Survey in 1987. We are using approximately $1,000,000 of Fiscal Year 1984 extramural funds to initiate the Continuing Survey. If we receive the increase we have requested in Fiscal Year 1985, approximately $2,000,000 of Fiscal Year 1985 extramural funds will be committed to nutritional surveillance.

We coordinate our nutrition surveillance activities at several levels with other agencies. Meetings are held on a regular basis with DHHS to coordinate monitoring activities and nutrition research.

Technical staff from USDA and DHHS meet regularly to coordinate the Nationwide Food Consumption Survey and the National Health and Nutrition Examination Survey to make them more comparable. We also sponsored jointly with DHHS the Conference on Uses of Food Consumption Data to determine the priority needs of the users of our dietary data. In addition, we have an interagency committee in the Department, as well as an interdepartmental committee, which discusses our plans and receives suggestions as to how we can better meet user needs.

POVERTY

Question: Earlier this month, the Census Bureau reported that the share of the U.S. population living below the poverty line has risen sharply over the last several years, even when in-kind benefits, like food stamps, are counted as income. Do you anticipate making any changes in the budget in light of this report?

Answer: No changes in the President's budget are anticipated at this time in response to the Census Bureau Report. The poor are not a single group. Improvements in their situation depends as much on vigorous growth in the private economy as on government programs.

We would point out that, among the elderly, the network of social programs has dramatically reduced the incidence of poverty. As a result of the recent actions by the Administration and Congress, these programs will continue to serve as a major tool for alleviating poverty among the elderly.

Clearly, economic growth, which is the major goal of the Administration, will alleviate poverty for many households. And economic recovery is well underway. With two to three years of vigorous, noninflationary growth, poverty rates can be brought down to the levels seen in the mid-1970's.

STAFFING

Question: Even though the budget for the Food and Nutrition Service increases, your staffing continues to decline. You had a reduction of 81 staff years from 1983 to 1984, and you are proposing another reduction of 25 in Fiscal Year 1985. This is a total of 106 in 3 years.

How can you justify this rather drastic reduction in staffing while the programs are increasing?

Answer: Although food assistance benefits to needy persons have increased substantially over the last three years, impact on staffing resources has been minimal. In the case of new mandates such as the distribution of excess commodities under the Temporary Emergency Food Assistance Act, we have been able to provide necessary staff by reducing resources in low priority areas. In addition, Field Office consolidation and improved management efficiency have enabled the agency to save considerable staff years. More effective use of expanding automated systems will also enable us to save staff years while increasing agency performance and productivity.

Question: How have these reductions been accomplished? RIFs, attrition, etc.?

Answer: All reductions have been accomplished through attrition.

Question: Please provide for the record a breakout of this reduction -- headquarters versus regional, etc.

Answer: In the breakout of our staff year reduction, which follows, all data is in terms of authorized ceiling.

	Headquarters	Regions	Total
FY 83 Staff Years	823	1,528	2,351
Reduction in FY 84	-36	-45	-81
% of Reduction	(4.37%)	(2.95%)	(3.45%)
FY 84 Estimate	787	1,483	2,270
Reduction in FY 85	-9	-16	-25
% of Reduction	(1.14%)	(1.08%)	(1.10%)
FY 85 Estimate	778	1,467	2,245

OBJECT CLASSIFICATION

Question: In your object classification table in the agency's notes, I notice a rather large cut--$41,424,000--proposed for 1985 in "Other Services." Please explain this reduction.

Answer: The fiscal year 1985 budget proposes that costs related to work registration/job search activities be shared by the Federal government and the States on a 50-50 basis. Therefore, costs related to this activity are reflected under object class 41.0 grants, subsidies, and contributions and not under object class 25.0 other services as they are in Fiscal Year 1984. I should also point out that $10.3 million was inadvertently budgeted under this category in Fiscal Year 1984 that should have been budgeted under object class 41.0--grants, subsidies, and contributions.

Question: What "Services" will you not be providing in 1985 that you are providing in 1984?

Answer: We will be providing the same services in 1985 that we provided in 1984. As I have explained, costs for work registration/job search activities will be reported under object class 41.0 in lieu of 25.0.

SPECIAL MILK PROGRAM

Question: In how many States does the Food and Nutrition Service now administer the Special Milk Program?

Answer: The Food and Nutrition Service currently administers part of the Special Milk Program in 15 States. The following table provides detailed information:

REGIONAL OFFICE ADMINISTRATION OF SPECIAL MILK PROGRAM

2/3/84

Name of State	Special Milk Program			
	Schools	RCCIs	Summer Camps	Non-RCCIs
Northeast Region				
ROAP Maine			ALL	
ROAP New York	W. Point Only			
Mid-Atlantic Region				
ROAP Delaware	PRIVATE			
ROAP Virginia	PRIVATE	PRIVATE	ALL	ALL
Southeast Region				
ROAP Alabama	PRIVATE	PRIVATE		Church Affiliated
ROAP Georgia		PRIVATE	ALL	ALL
ROAP S. Carolina	PRIVATE	ALL	ALL	ALL
ROAP Tennessee	PRIVATE	PRIVATE	ALL	ALL
Mountain Plains				
ROAP Colorado	PRIVATE	"NON SCHOOLS"		ALL
ROAP Missouri		PUBLIC "NON-SCHOOLS" PRIVATE	ALL	ALL
ROAP Nebraska	PRIVATE	PUBLIC "NON-SCHOOLS" PRIVATE	ALL	ALL
ROAP N. Dakota			ALL	
Western Region				
ROAP Hawaii	PRIVATE	PRIVATE	ALL	ALL
ROAP Oregon			CCFP INSTS.	CCFP INSTS.
ROAP Washington	PRIVATE	ALL	ALL	ALL

NOTE: It should be assumed that the program is State operated when it is not specifically designated that FNS operates the program.

Question: How does this compare with Fiscal Years 1982 and 1983?

Answer: Five States have assumed additional administrative responsibility for the Special Milk Program (SMP), since Fiscal Year 1982. FNS still administers the SMP in summer camps in North Dakota. However, all of the SMP is now administered by Arkansas, Oklahoma, Texas, and New Mexico. A table showing the parts of the SMP administration assumed by States follows:

The information follows:

State Administration of Special Milk Program

State	Schools	RCCIs	Summer Camps	Non-RCCIs	Date State Assumed Administrative Responsibility
N. Dakota	PRIVATE	ALL	1/	ALL	11/1/81
Arkansas	PRIVATE	PRIVATE	ALL	ALL	7/1/82
Oklahoma	PRIVATE	PRIVATE	2/	2/	10/1/82
Texas	PRIVATE	ALL	ALL	ALL	7/1/83
N. Mexico	BIA Schools	2/	2/	ALL	7/1/83

1/ Administered by FNS.
2/ Administered by State.

Question: Why do the States refuse to administer this program?

Answer: In most cases, States do not directly administer these programs because the State has decided not to do so. In some cases States indicate that their State constitutions prohibit the disbursement of funds to private schools and sponsors or other State legislation prevents State agencies from operating the programs. It is our understanding that relatively few of these States actually have constitutional prohibitions against program administration.

Question: How much was the carryover from 1984 into 1985 projected to be?

Answer: The Special Milk Program carryover from 1984 into 1985 is projected to be $1,894,000.

Question: Why do you estimate more funds will be needed in Fiscal Year 1985 than in 1984 for the Special Milk Program?

Answer: We estimate that more funds will be needed because the Producer Price Index for Fresh Processed Milk projects an upward adjustment of reimbursement rates for milk served to non-needy children in 1985. These rate increases, when applied to anticipated halfpints to be served, will require additional funding.

The program level will increase, however, by only $254,000. The Fiscal Year 1985 appropriation request has increased because the 1984 carryover, $1,894,000 is much less than the 1983 carryover, $9,214,000, requiring the Agency to request a higher appropriation than in 1984.

PUERTO RICO BLOCK GRANT

Question: Puerto Rico is granted the same amount each year--$825 million--for their nutrition assistance. They have received this same amount since the implementation of the program in July, 1982. As I understand it, Puerto Ricans receive cash in lieu of stamps or coupons. However, the 1982 Reconciliation Act required Puerto Rico to change to a non-cash system. Congress has suspended this provision until September 30, 1985. What is your position on this and why?

Answer: The Department proposed as part of last year's legislative package to permanently delete the non-cash requirement. Deletion of this requirement would still permit Puerto Rico the option of a noncash system if such a system were deemed to be viable by the Commonwealth. The proposal was made to provide Puerto Rico with maximum flexibility in administering its block grant. While the Department would have preferred the permanent flexibility to permit Puerto Rico to design the best system, either cash or non cash, we believe that the suspension of the non-cash requirement until September 30, 1985 is useful.

Question: I am told that not only can these funds be used for nutrition assistance, but some of the block grant funds can be used to finance "projects"? Does Puerto Rico use some of those funds for "projects". Are these projects proving beneficial?

Answer: In Fiscal Year 1984 Puerto Rico will conduct four special projects supported by block grant funds. Approximately three percent of the block grant funds were set aside for the projects. These four projects are:

- Tick Eradication, which will result in the islandwide eradication of ticks and thus improve livestock productivity in Puerto Rico.
- Crop Protection, which will develop data on pest occurrence and distribution, as a prelude to a coordinated crop protection and spraying campaign.
- Agro-Industrial Loan Fund, which is designed to fund specific projects to increase food production and processing in Puerto Rico.
- Nutrition Education, is designed to educate the needy in nutrition and family budgeting.

Three USDA agencies, the Food and Nutrition Service, the Animal, and Plant Health Inspection Service, and the Farmers Home Administration are monitoring these projects and assessing their effectiveness.

FOOD DONATIONS PROGRAM

NEEDY FAMILY PROGRAM

Question: Your notes indicate that the cost of the food packages distributed on Indian reservations will average $32.93 per person per month while the packages distributed in the Pacific Islands will average about $15.86. Why is there so much difference in the cost of these packages?

Answer: The Trust Territory food package has been developed to help meet the nutritional and cultural food needs of the people participating in the program. Because of this, the food package is smaller than the food package received by persons participating in the Needy Family Program on Indian Reservations (NFPIR). The Trust Territory package is comprised of rice, flour, canned vegetables, canned fruit, canned juices, canned meat, evaporated milk and shortening. The NFPIR package includes all of the above items plus oats, corn meal, pasta, farina, infant rice cereal, nonfat dry milk, cheese, canned beans, dried beans, egg mix, peanut butter, peanuts, dehydrated potatoes, honey, corn syrup and butter.

Question: How much of the above cost will be provided in cash and how much in commodities?

Answer: The entire amount will be in commodities.

Question: You are requesting a substantial decrease--$26.5 million--in the Needy Family appropriation for Fiscal Year 1985. Do you anticipate the number of participants to drop that much? Please explain.

Answer: The reason for the apparently large difference is due to a change in accounting for commodities donated by the Commodity Credit Corporation (CCC) and the proposed use of unobligated 1984 funds to partially fund the 1985 program. We estimate that approximately $9.5 million in surplus products will be donated from CCC inventory and will therefore not be purchased by the Food and Nutrition Service from appropriated funds. Based upon our recent experience with the CCC, we fully expect that stocks will again be available for donation thereby maintaining participation levels without the need to budget for those purchases.

Question: You have requested a language change as part of the 1984 supplemental. Will you please explain this request?

Answer: The language change we have requested will allow us to carryover the unobligated balance at the end of Fiscal Year 1984 and use it in Fiscal Year 1985. We are anticipating that this will amount to $17,758,000.

Question: Why do you anticipate such a large unobligated balance ($17.8 million)?

Answer: The unobligated balance is the result of two things. The first is the use of CCC donated commodities which reduces the level of purchases from the Food Donations account. The second is the level of Fiscal Year 1983 carryover funds available for use in 1984.

NUTRITION PROGRAM FOR THE ELDERLY

Question: Please explain why the budget again proposes transferring the elderly feeding program to the Department of Health and Human Services?

Answer: FNS administers only a small part of the elderly feeding program, the provision of commodities or cash in lieu of commodity assistance. The major authority for program administration is in the Department of Health and Human Services. Our proposal would provide them with complete authority. Traditionally, the commodity assistance portion of the program was tied to USDA because of our commodity distribution authority. Now, about 90 percent of the assistance is in cash. The Department has virtually no authority or control over the operations of the program and it is extremely difficult to resolve reporting discrepancies and other administrative problems. Therefore, we believe it makes sense to consolidate authority in DHHS.

Question: What commodities and how many have been made available for this program?

Answer: In Fiscal Year 1983, fifty commodities were made available to the Nutrition Program for the Elderly. We are still in the process of shipping foods to this outlet for Fiscal Year 1984; most of the foods available are the same as those provided last year.

A table showing the quantities of each of these commodities follows:

ELDERLY FEEDING PROGRAM

Quantity and Value of Commodities
Fiscal Year 1983

Commodity	Pounds (000)	Dollars ($000)
Section 32 - type:		
Applesauce	781	$254
Apples, fresh	48	13
Beans, dry	96	24
Beans, dry	404	115
Beans, vegetarian	291	80
Beans, green, canned	881	298
Beef, frozen ground	2,496	3,826
Beef, patties, frozen	208	320
Beef, canned	150	323
Chicken, frozen	1,634	1,248
Chicken, patties, frozen	4	6
Corn, canned	772	350
Corn, frozen	15	8
Peaches, canned	869	468
Pears, canned	732	340
Pineapple, canned	551	281
Plums, canned	115	49
Peas, green, canned	482	177
Peas, green, frozen	52	25
Potatoes, rounds	396	164
Potatoes, french fries	156	58
Potatoes, shoe string	54	20
Sweet potatoes	259	124
Pork, canned	85	155
Turkeys, frozen whole	486	437
Turkey roasts, frozen	496	852
Tomato juice, canned	1	1
Tomatoes, canned	198	104
Total	12,712	$10,120
Bonus Commodities		
Section 32 - type:		
Applesauce, canned	35	$8
Grapefruit juice	138	22
Prunes, dried, pitted	353	223
Potatoes, dehydrated	76	29
Raisins	147	86
Total	749	$368
Section 416 - type:		
Cheese, cheddar,	2	$4
Cornmeal	121	23
Flour	949	173
Macaroni	98	26
Oats, rolled	73	19
Peanut butter	109	114
Peanuts, roasted	98	120
Rice	142	35
Soybean oil	298	170
Soybean shortening	287	164
Spaghetti	99	29
Total	2,276	$880
Bonus Commodities		
Section 416 - type:		
Butter	1,485	$2,316
Cheese, processed	1,477	2,172
Cheese, cheddar	436	632
Cheese, mozzarella	1,205	1,675
Honey	284	202
Milk, Nonfat dry	550	529
Total	5,437	$7,526
GRAND TOTAL	21,174	$18,894

Question: To what extent do the elderly have access to surplus commodities?

Answer: All of the foods that are available through price support activity which are donated to other domestic outlets are also available to elderly feeding projects. These include butter, cheese, Nonfat dry milk, honey and rice. These bonus foods are available to all of the elderly feeding projects whether they receive commodities or cash in lieu of commodities.

Question: If this program is transferred, would commodity purchases be eliminated?

Answer: No, USDA would purchase commodities and make them available upon request by the Department of Health and Human Services. The commodities would be made available in lieu of cash. In addition, bonus commodities would also be made available.

Question: Fiscal Year 1984 is the final year for the three elderly feeding pilot projects--Des Moines, Detroit and New Orleans. What happens now?

Answer: The Fiscal Year 1985 Budget request does not include funds for these projects but proposes to allow the projects to operate as long as funds are available in Fiscal Year 1985. The duration of the project operations of each grantee depends upon the choices made by the three grantees within the funding and other limitations established by Congress.

If funds are unspent at the end of the fiscal year, they may be used to support Fiscal Year 1985 operations.

PROPOSED FOOD STAMP LEGISLATION

Question: You are again proposing several legislative changes for the Food Stamp Program. Has this legislative package been referred to the authorizing committee -- Agriculture -- for consideration?

Answer: The legislative package of changes to the Food Stamp Program is currently in clearance in the Department. It will be sent to the Congress very soon.

Question: You estimate the savings achieved from these legislative changes would be $374 million.

- If these changes are enacted, how many people will be dropped from the program?
- If they are not enacted, what will the cost of the program be in Fiscal Year 1985?

Answer: Most of the legislative savings come from the revised error rate system. Actions taken by States to reduce the error rates, and so avoid a potential liability for excess errors, may reduce the number of ineligible participants. Also, the Community Work Experience Program should help some current participants find paying jobs and enable them to leave the program.

If the legislative changes are not enacted, the cost of maintaining current services in the Food Stamp Program is estimated to be $11,171,573,000.

FOOD STAMP PROGRAM

The Food Stamp and Aid to Families with Dependent Children (AFDC) programs are both needs-based assistance programs. However, States must pay a portion of AFDC recipients′ benefits whereas food stamp benefits are 100 percent Federally funded, and there are differences in the way the programs are administered by the States in the amount of State resources devoted to the programs′ administration.

Question: Will you please explain the administrative differences between the AFDC and Food Stamp Programs?

Answer: There are several key distinctions between the two programs:

- The Food Stamp Program is built upon national eligibility and benefit standards. In AFDC, States have considerable latitude in setting eligibility and payment levels.

- Different program purposes have contributed to divergent structures for the filing unit. The Food Stamp Program assists households with limited means to obtain a nutritious diet. Consequently, the definition of the filing unit focuses on buying and preparing food. In recent years, the definition has been tightened to ensure that people who presumably eat together file together. AFDC provides assistance to children who are deprived of parental support. Consequently, eligibility is more restrictive and the definition of the filing unit focuses on children and their caretakers. In recent years, more attention has been centered on the legal and financial responsibilities of absent parents.

- The different needs of special population groups served by each program have contributed to the development of different policies. The Food Stamp Program provides special protections for elderly and disabled participants. AFDC has no comparable procedures, as few elderly or disabled people receive AFDC benefits. On the other hand, AFDC offers special protections for children, such as vendor payments. The Food Stamp Program has no comparable procedures. Thus, some of our programmatic differences stem from recognizing the special needs of beneficiaries.

- The Food Stamp Program is widely viewed as a more available source of emergency aid. The Food Stamp Act prescribes a five day application processing standard for expedited service cases and a thirty day standard for all other cases. AFDC has a 45 day standard for all applicants.

- Food Stamp eligibility is based on definite time spans known as certification periods. At the end of the certification period, the household must be interviewed again to reestablish eligibility. In AFDC eligibility is more open-ended. States must periodically redetermine eligibility but are not required to reinterview participants.

- Due to different eligibility rules different error rate reduction strategies may apply to each program. For example, in AFDC eligibility is contingent on the age of children, and States may be able to diminish payment errors by tracking the ages of older children. This procedure would not affect the error rate in the Food Stamp Program.
- The Food Stamp Program provides for regular adjustments based upon food price inflation.

Question: Are there opportunities to save Federal money by reducing the administrative differences between the two programs by choosing the more effective and least costly procedures in each program?

Answer: We have always believed that there are such opportunities to reduce Federal costs through enhancing food stamp/AFDC comparability. Our proposed legislation year after year has included proposals to achieve greater conformity between the programs. This year's legislative proposal contains three such proposals. The first would make households in which all members receive AFDC payments categorically eligible for the Food Stamp Program. The second would make several changes in the food stamp work requirements to establish conformity with AFDC requirements and to establish a community work experience program as similar to AFDC's as possible given differences intrinsic to the two programs. The third proposal would amend the food stamp disqualification for fraud or intentional misrepresentation to require administrative hearings only upon households' request, similar to the AFDC procedure.

We are continuously reviewing the food stamp regulations to uncover procedures or requirements that can be revised to more nearly coincide with AFDC's counterpart procedures or requirements. However, such reviews as well as the development of proposed legislative changes must always be done with full awareness of the trade-offs in reduced targeting of benefits associated with changes made to establish food stamp/AFDC conformance.

PREPARATION OF FOOD STAMP ESTIMATES

Question: It has been our experience that current law estimates provided by the Congressional Budget Office (CBO) are always somewhat higher than those provided by the Food and Nutrition Service. For Fiscal Year 1985 it is some $80 million higher. Generally, when we appropriate the budget request, we have to provide a supplemental amount for the remainder of the year.

Can you explain why there is this difference?

Answer: The cost of the Food Stamp Program is quite sensitive to economic conditions, particularly the unemployment rate and food price inflation. Forecasts of future costs depend on the assumptions we make about future trends in unemployment and food prices. The assumptions made by the Office of Management and Budget and by CBO are often different. And, as you have noted, the different economic scenarios lead to different estimates of program costs. In this budget, for example, OMB has assumed an unemployment rate of 7.8 percent and a 4-person food stamp allotment of $257 in 1985. CBO has assumed an unemployment rate of 7.4 percent and a 4-person allotment of $258. Because of these differences, our estimate of the current service costs of the program $11,171 million is actually about $200 million higher than CBO's--$10,963 million.

1984 FOOD STAMP SUPPLEMENTAL REQUEST

Question: Will the amount you have requested be adequate to conduct the program through the remainder of this fiscal year?

Answer: The supplemental request reflects our best estimate of program needs this year. As you know, however, we monitor trends in program participation, costs, and related economic conditions very closely. Changes in these conditions may lead to a modification of the supplemental.

Question: By what date would these funds be needed in order to avoid any reduction in benefits or other disruptions in the program?

Answer: The 1984 Appropriation for Food Stamp benefit costs will be sufficient through September 1, 1984. We would have to have the supplemental funds prior to July 1 if we are to avoid any reduction in program benefits. The States would have to be given at least 60 days notice prior to the implementation of any reduction plan.

FOOD STAMP PROGRAM ADMINISTRATION

Question: In my visits with State and local food stamp officials, the most frequent complaint I receive is that there is entirely too much paperwork from FNS headquarters -- new regulations or directions are sent out, but before they can get those implemented, more paper comes with instructions to modify or replace what was received before. They fight the constant battle of shuffling paper. I have also been told that it takes a person with a Ph.D to figure out some of those regulations.

I realize Congress has played a part in this with the enactment of new legislation and a couple of reconciliation Acts, but is all this really necessary? Isn't some of it unnecessary or duplicative?

Answer: Certain procedures are required to translate new legislation into regulations and instructions for State implementation. The preamble portions of all regulations explain the rationale behind all new program changes, and explain which procedures are being replaced or revised to avoid duplication. Proposed regulations give Regions, States and other entities the opportunity to comment. Before final rules are published, all such comments are considered. Final regulations or instructions reflect only what is necessary to provide for more effective program administration, under the requirement of the law.

Question: Isn't it also possible that this material could be written in a way that someone other than "the Boss" can understand it?

Answer: We continue to strive to write our regulations in clear, understandable language. We attempt to avoid overly technical language whenever possible. Any technicalities inherent in the regulations are further translated and simplified in the form of handbooks and manuals developed by State agencies for use at the implementation level. The actual rules are rarely, if ever, used at the caseworker level. Any problems eligibility workers have with the language of instructions, etc., are handled through the State agencies, which have access to Federal policy clarification from the FNS regional offices.

Question: Have you had complaints of this nature from other sources?

Answer: We have received feedback from State agencies that there is a need for more programmatic stability. This has been especially true when we have had rapid-fire legislative changes, which have resulted in numerous regulatory changes. State agencies are particularly sensitive at this time to numerous regulatory changes, since they are also redesigning systems due to implementation of the recent Monthly Reporting and Retrospective Budgeting (MRRB) requirements. In addition, States are facing more stringent performance standards in the face of declining quality control tolerance levels. In recognition of these concerns, we have tried to restrain discretionary rulemaking.

OPERATION AWARENESS

Last year, you instituted an Operation Awareness campaign in an effort to reduce losses in the Food Stamp Program.

Question: Has this campaign effort been successful?

Answer: Yes, the Operation Awareness campaign has been very successful in an effort to reduce losses in the Food Stamp Program. Newspaper clippings from throughout the country indicate that new techniques to curb fraud, waste and abuse in the Program are working well. Early projections indicate that for the first part of 1983, the error rate may have declined as much as 13 percent. Some of the highlights on Fiscal Year 1983 anti-fraud activities are:

- In Fiscal Year 1983, States conducted 44 percent more fraud hearings than in Fiscal Year 1982.
- In Fiscal Year 1983, 14,926 persons were disqualified as the result of fraud hearings.
- States completed 111,577 investigations into food stamp fraud in Fiscal Year 1983. This was a 36.7 percent increase over Fiscal Year 1982.
- Over $31 million was involved in the Fiscal Year 1982 investigations completed.
- There was a 60.8 percent increase in the number of State prosecutions completed in Fiscal Year 1983.

- Over $17 million was involved in the Fiscal Year 1983 State prosecutions completed.

- Over 6,500 persons were disqualified in Fiscal Year 1983 due to State prosecutions.

- The increased emphasis on collecting fraud claims resulted in a 56.3 percent increase in collections over Fiscal Year 1982.

- There was a 44.2 percent increase in the amount of fraud claims established between Fiscal Year 1983 and Fiscal Year 1983.

Question: To what extent are the States involved in this effort? What is their reaction to it?

Answer: The States are heavily involved in Operation Awareness. Last May we held our first National Conference for State Welfare Commissioners. It was well attended and there was overwhelming support for an annual meeting of this type. Those who attended felt that they got a better understanding of the Federal perspective. We are planning a second conference to be held this May.

In Fiscal Year 1983 seven States were presented awards for exceptional performance in reducing fraud, waste and abuse.

We published three issues of State to State, a publication to share innovative ideas for better program management. State to State now has a mailing list of over 8,000 subscribers. After the first issue, 15 States called or visited Nevada to investigate its low QC error rate. Over 300 caseworkers responded to another article.

State participation in "Project Integrity" to make recipients more aware of their responsibility to properly report their circumstances has grown from two to 12 States.

FOOD STAMP COUPON REDEMPTION ACTIVITIES

Question: In previous years there has been a serious reconciliation problem of food stamp deposits exceeding the redemption certificates submitted by retailers. It is my understanding that FNS has been implementing a new accounting system. Will you please explain how this system works?

Answer: The Food and Nutrition Service (FNS) is implementing a new Bank Monitoring System. It is designed to monitor food stamps from the date that they are accepted by a retailer or wholesaler until they are destroyed by the Federal Reserve Bank.

This project began on April 1, 1981, as a pilot food stamp redemption process in the Atlanta Federal Reserve Zone. The process involved the Atlanta Federal Reserve Bank and all retailers, wholesalers, and financial institutions in Georgia and Hamilton county, Tennessee.

During the development of the Bank Monitoring System, FNS staff worked directly with representatives of the Federal Reserve's Board of Governors in formulating procedures governing the system. Following a successful pilot, the Federal Reserve agreed to cooperate in converting to the Bank Monitoring System.

In January 1983, Phase I was implemented to rechannel the flow of food stamps and redemption certificates. Previously, firms submitted their food stamps with a redemption certificate (RC) to their bank, and the bank would forward the stamps to the Federal Reserve Bank and mail the RC's to our Minneapolis ADP Field Center for accountability purposes. Under Phase I, commercial banks forwarded RC's along with food stamps to Federal Reserve Banks. Federal Reserve Banks sent RC's to our Minneapolis ADP Field Center.

In August 1983, Phase II of this project began in certain areas. Phase II will finalize the implementation process with the use of new deposit document and a new RC. The new food coupon deposit document will be used by commercial banks to record the value of food stamps and RC's being transmitted to the Federal Reserve Bank. During each transaction, the bank teller will indicate on the new RC the amount of food stamps accepted from a firm. Previously, there was no method to monitor a bank's verification of each firm's redemption of food stamps. The food stamps, RC's and deposit document are then packaged by the commercial bank and sent to the Federal Reserve Bank.

The Federal Reserve Bank sends to FNS a copy of the deposit document and RC's. FNS compares by bank the value of food stamps versus the value of RC's. Should a large discrepancy between these amounts be found, FNS will determine the reason for the difference and take any corrective action needed to prevent a recurrence.

Our seven regional offices are now working closely with the Federal Reserve Banks in their areas to provide training and any other assistance needed for a successful implementation of this system. They will also work with commercial banks and firms to resolve any problems that might arise in the redemption process.

Question: When do you anticipate the new system will be implemented nationwide?

Answer: On April 1, 1984, 9 of 37 Federal Reserve Zones will be operating under the Bank Monitoring System. Our target date for a complete implementation is April 1985. A copy of the Federal Reserve's planned implementation schedule follows:

BANK MONITORING SYSTEM
EXPANSION PLAN

FEDERAL RESERVE		STATES	FNS REGION	START 1/
DISTRICT	ZONE			
ATLANTA - 6	ATLANTA	GA, TN*	SOUTHEAST	AUGUST 1983
	BIRMINGHAM	AL*	SOUTHEAST	AUGUST
	JACKSONVILLE	FL*	SOUTHEAST	SEPTEMBER
	MIAMI	FL*	SOUTHEAST	SEPTEMBER
	NASHVILLE	TN	SOUTHEAST	MARCH 1984
	NEW ORLEANS	LA*, MS*	SOUTHWEST	MARCH
DALLAS - 11	DALLAS	TX*, OK*, LA*	SOUTHWEST	APRIL
	HOUSTON	TX*	SOUTHWEST	APRIL
	SAN ANTONIO	TX*	SOUTHWEST	APRIL
	EL PASO	TX*, NM*	SOUTHWEST	MAY
ST. LOUIS - 8	LITTLE ROCK	LA*, AR*	SOUTHWEST	MAY
	MEMPHIS	MS*, TN*, MO*	SOUTHEAST	JUNE
	ST. LOUIS	MO*, IL*	MOUNTAIN PLAINS	JUNE
	LOUISVILLE	KY*, IN*	SOUTHEAST	JUNE
KANSAS CITY - 10	KANSAS CITY 2/	KS, MO*	MOUNTAIN PLAINS	JULY
	OKLAHOMA CITY	OK*	SOUTHWEST	JULY
	DENVER	CO, NM*	MOUNTAIN PLAINS	JULY
	OMAHA	NB, WY	MOUNTAIN PLAINS	JULY
RICHMOND - 5	CHARLOTTE	SC*, NC	SOUTHEAST	AUGUST

* - PART OF THE STATE IN ANOTHER ZONE
1 - FOOD COUPON DEPOSIT DOCUMENTS AND REDEMPTION CERTIFICATES WILL BE DISTRIBUTED APPROXIMATELY A MONTH BEFORE THE START DATE.
2 - PROCESSES COUPONS FOR ENTIRE DISTRICT

Revised 1/3/84

FEDERAL RESERVE			FNS	
DISTRICT	ZONE	STATES	REGION	START 1/
RICHMOND (CON'T)	RICHMOND	VA, WV*, NC*	MID-ATLANTIC	AUGUST
	BALTIMORE	MD, WV*, DE	MID-ATLANTIC	SEPTEMBER
CHICAGO - 7	CHICAGO	IL*, IN*. IA, WI*	MIDWEST	SEPTEMBER
	DETROIT	MI*	MIDWEST	OCTOBER
CLEVELAND - 4	CLEVELAND	OH*	MIDWEST	OCTOBER
	CINNCINNATI	OH*, KY*	MIDWEST	OCTOBER
	PITTSBURGH	PA*	MID-ATLANTIC	NOVEMBER
PHILADELPHIA - 3	PHILADELPHIA	PA*, NJ	MID-ATLANTIC	NOVEMBER
NEW YORK - 2	BUFFALO 2/	NY*	NORTHEAST	DECEMBER
	NEW YORK	NY*	NORTHEAST	DECEMBER
BOSTON - 1	BOSTON	ME, VT, NH CN, MA, RI	NORTHEAST	JANUARY 1985
MINNEAPOLIS - 9	MINNEAPOLIS	WI*, MI*, MN ND, SD	MIDWEST	FEBRUARY
	HELENA	MT	MOUNTAIN PLAINS	FEBRUARY
SAN FRANCISCO - 12	SAN FRANCISCO	CA*, NV*, HI	WESTERN	MARCH
	LOS ANGELES	CA*, AZ	WESTERN	APRIL
	SALT LAKE CITY	UT, NV*, ID	MOUNTAIN PLAINS	APRIL
	PORTLAND	OR, WA*	WESTERN	APRIL
	SEATTLE	WA*	WESTERN	APRIL

* - PART OF THE STATE IN ANOTHER ZONE
1 - FOOD COUPON DEPOSIT DOCUMENTS AND REDEMPTION CERTIFICATES WILL BE DISTRIBUTED APPROXIMATELY A MONTH BEFORE THE START DATE.
2 - PROCESSES COUPONS FOR ENTIRE DISTRICT

PHOTO IDENTIFICATION

Question: In 1980, Congress amended the Food Stamp Act to require photo identification in areas where such controls are needed to protect the program's integrity. What is the status of this project?

Answer: Since November 1982, eleven sites have implemented a mandatory photo identification system. In addition, eleven sites have voluntarily implemented a photo identification system and six sites have developed alternate identification systems.

Question: On what basis are waivers granted?

Answer: Section 273.10(g)(3)(ii) of the Food Stamp Program Regulations mandates the use of photo ID cards in those project areas or portions thereof with 100,000 or more food stamp participants, except for those project areas serviced entirely by mail issuance, or where FNS, in consultation with the Office of the Inspector General, approves a State agency's request for an exemption. The regulations further provide that FNS shall waive requirements for the food stamp photo ID if a State agency can demonstrate to FNS that its alternate ID card or system will provide adequate safeguards against fraudulent and duplicate issuances. Decisions on granting waviers are made on a case-by-case basis and depend on the comprehensive system proposed by the State agency. A waiver is granted when the State agency is able to demonstrate that its alternate ID card or system will meet the goals of a photo ID system, which is to prevent fraudulent issuances.

Question: How long will it take to obtain full implementation of this system?

Answer: Each year FNS identifies those project areas above 100,000 participants which will be required to implement a photo identification system. These sites must implement this system within one year. FNS has also initiated an annual evaluation of those project areas below 100,000 participants to determine if a photo identification system should be mandated. These areas are also required to implement this system within one year from the date that FNS mandates the use of a photo identification system.

FOOD STAMP COUPON LOSSES IN TRANSIT

Question: It is my understanding that the USDA's Office of Inspector General recommended that FNS not reimburse commercial banks for redeemed stamps lost in transit from the bank to the Federal Reserve Bank. Do you still make these reimbursements?

Answer: Proposed regulations rescinding FNS liability for food stamps lost in transit were published in the Federal Register on August 5, 1983. However, until final regulations are published, FNS will continue to be liable for food stamps lost in transit. FNS will not be liable for any losses occurring after the date the final regulations take effect (30 days after publication in the Federal Register).

Question: How much has this amounted to?

Answer: Since Fiscal Year 1983, claims in the total amount of about $350,000 were paid and claims with an approximate value of $122,000 were denied.

Question: Have the final regulations been published? When?

Answer: Final regulations rescinding FNS liability for food stamps lost in transit have been prepared and are being cleared within the agency. We anticipate publishing the final regulations this spring.

WAGE MATCHING

Question: In the past year, I have seen several news accounts of a number of indictments in various States involving food stamp recipients. Is this because of wage match?

Answer: Wage match is one of several activities which has had an impact on the increasing number of indictments against food stamp recipients. FNS has also provided 75 percent administrative funding to State agencies for investigation and prosecution activities. In addition, States are now eligible to retain 50 percent of all fraud claims collected. In March 1983 the Department launched an aggressive anti-fraud campaign as part of Operation Awareness. All of these activities have contributed to an increase in indictments for food stamp fraud.

Question: I understand that an internal audit of FNS by the Office of Inspector General concluded that mismanagement of the Food Stamp Program by FNS is costing millions of dollars in lost budget savings. This is because FNS has allowed State agencies to ignore the requirement to match wage information with applicants' applications.

Answer: FNS has not allowed State agencies to ignore the requirements for wage matching. Where necessary, we have initiated the warning process against States for failure to comply with wage matching requirements. Delays occurred, for the most part, because the wage request States were unable to sign Safeguard Agreements with the Social Security Administration (SSA) within a reasonable period of time. Although FNS began negotiations with SSA in November 1980, the first Safeguard Agreement was not signed until April 1983. Once these agreements were signed, SSA required a 90 day waiting period before the SSA data could be accessed for wage matching. The delays in conducting wage match in these States cannot be attributed to mismanagement by FNS. We are confident that initiation of the sanction process against State agencies who have not implemented wage matching or are not conducting wage matching in accordance with program requirements combined with the relief provided to wage request States by P.L. 98-204 will very shortly reverse the situation reported by OIG.

Question: How many States have some sort of wage matching?

Answer: Currently, 44 States are conducting wage match for either all or a portion of the food stamp caseload. We initiated the warning process against six of the other nine State agencies. Our Regional Offices are working actively with three other State agencies to resolve problems they have encountered with the wage matching requirement.

Question: Is wage match an effective tool in reducing abuse errors?

Answer: Yes, wage match has been effective in identifying individuals ineligible for food stamps or entitled to fewer stamps. In some States publicity on wage matching has had a deterrent effect, as evidenced by the number of households who have voluntarily withdrawn from the program.

Question: Has FNS established a deadline for States to begin wage matching?

Answer: All wage report States were required to conduct a wage match no later than March 30, 1983, and quarterly thereafter. The wage report States are required to conduct the first match 120 days after signing the Safeguard Agreement, and semiannually thereafter.

ADMINISTRATIVE INCENTIVE FUNDS

Question: What are administrative incentive funds?

Answer: Administrative incentive funds are higher proportions of Federal cost-sharing for State administrative expenses. These funds are available to States which meet error rate goals. In the 1982 OBRA amendments, incentive funding was revised. States which have (1) payment error rates (i.e. the total percentage of all allotments issued to ineligible households and overissued to eligible households) combined with underissued allotments of less than 5 percent and (2) rates of invalid denials lower than the national average are entitled to 60 percent of administrative costs, instead of the normal 50 percent. This new methodology went into effect for Fiscal Year 1983. Enhanced funding levels used to range from 55 percent to 65 percent depending on either the level of error reduction achieved or whether a State met a specific payment error level. Because of the lag time involved in determining quality control error rates, the incentive payments currently provided are based on the old criteria.

Question: Which States have qualified for these funds? For what amount?

Answer: The October 1981 - March 1982 period is the latest period for which States have been notified of their eligibility for enhanced funding, or administrative incentive funds.

Enhanced funding for this period was provided as follows:

Delaware	$ 60,796
Puerto Rico	1,353,846
Alabama	1,278,225
Georgia	750,917
Montana	57,494
Wyoming	23,795
Nevada	316,885
	$3,841,998

Question: Is this effective in getting States to reduce their error rates?

Answer: We do feel that the enhanced funding system has been somewhat effective in reducing errors. However, we are recommending a significant revision to the error rates sanction system to enhance its effectiveness.

Question: What other incentives are being used for States to reduce their errors?

Answer: A major incentive is, of course, the fiscal sanction system which penalized States for not reducing their errors. We also provide enhanced funding levels of 75 percent instead of 50 percent to States to develop their computer capabilities and to conduct anti-fraud activities. The former incentive helps reduce errors by improving mathematical computations, permitting more verification and more cross-checking to avoid duplicate participation. The latter enhances efforts to reduce fraud, waste and abuse among recipients, thus reducing errors. In addition, States are permitted to retain a portion of claims collected from recipients which is an incentive to establish and pursue overissuances. Vigorous collection efforts serve as deterrents to recipient abuses, thus further contributing to error reduction. The Department also works with State agencies in developing corrective action plans which permit States to avoid or reduce fiscal sanctions if certain error reduction goals are met.

WASTE, FRAUD AND ABUSE

Question: I remember last year in our discussion on food stamps, that it was reported that "at least one billion dollars would be lost to waste and fraud in that year alone." Has there been any improvement in that figure this year?

Answer: Yes. The billion dollar figure was based on a projection using quality control data from periods previous to the second half of Fiscal Year 1982. We now have another full year of data which reveals that the error rate is dropping significantly. During the first half of Fiscal Year 1982 the error rate was 9.79 percent. The second half of that year reflected a reduction in the error rate to 9.23 percent. For Fiscal Year 1983 the error rate is projected to be 8.54 percent. This is an impressive reduction. We believe this projected reduction is the direct result of Operation Awareness and the quality control sanctions. We fully expect these reductions to continue in the future.

Question: What new efforts have been initiated this year to curb waste, fraud and abuse?

Answer: The focus of Fiscal Year 1984 Operation Awareness activities will be on preventing errors from occurring. Front end prevention will ultimately save the taxpayer more money and help toward regaining public confidence in the program. For Fiscal Year 1984 our plans for Operation Awareness are as follows:

- Continuing publication of State to State.

- Conducting Project Integrity reviews in 11 States.

- Updating the *Catalog of Program Improvement Activities* (The Matrix, a reference digest) to disseminate the latest information relating to techniques used by agencies to combat fraud, waste and abuse. Sixty to seventy new entries will be added to the next Matrix.

- Funding the State Exchange Program. Because of the overwhelming support for the State Exchange Project, we have increased the budget in Fiscal Year 1984 for this program to $100,000.

- Hosting the second National Conference for State Welfare Commissioners in May 1984.

- Hosting seven Regional Office conferences to exchange information on successful techniques to combat fraud, waste and abuse and error reduction.

More than 40 States participated in 35 State exchanges to share ideas and effective management techniques. Of all the projects undertaken, the State exchange has probably been the most successful. Several States adopted successful management techniques from other States thereby saving themselves development costs.

The demand from States for our first *Catalog of Program Improvement Activities* (The Matrix, a reference digest) was so great, it had to be reprinted.

Twenty-three Governors responded favorably to our letter announcing "Operation Awareness" and enlisting their help.

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING
(MRRB)

Question: Late last fall, (November) Congress passed legislation which allowed the States more flexibility in handling Monthly Reporting and Retrospective Budgeting (MRRB) requirements. Reports from some of the States using the system showed that costs could exceed any potential administrative savings. Are some States continuing to use MRRB? Please provide details for the record.

Answer: Yes, sixteen States are continuing to use MRRB.

These States are:

Alaska

Arizona

California

Guam

Hawaii

Idaho

Michigan

Minnesota

New Mexico

Nevada

North Dakota
Oregon
South Dakota
Utah
Wisconsin
Wyoming

Question: Are you finding any evidence that monthly reporting reduces errors and costs or increases them as was found in the Illinois study?

Answer: Since monthly reporting has been operating for a short period of time in most States, there is not sufficient data available at this time to determine its effect on either errors or costs. The Department also has the authority to approve State proposals to exempt categories of households from monthly reporting requirements (Public Law 97-253). Exempt households are subject to periodic reporting on a less frequent than monthly basis. The statute provides that this authority should be exercised if the State agency documents that monthly reporting would not be cost-effective for the identified categories. As a result of this authority, the Department has been able to facilitate State efforts to make monthly reporting more cost-effective by allowing States to target error prone households. Currently, 32 States have received approvals under this authority. The Department believes that through judicious use of this authority, monthly reporting will be a cost-effective method of reducing errors, waste and abuse in the program.

Question: What changes has FNS made as a result of the legislation?

Answer: FNS has approved 32 waiver requests to allow State agencies to permit selected categories of households to report less frequently than monthly, to use recertification interviews in lieu of monthly reports and to use prospective budgeting for households not required to submit monthly reports. In the near future, FNS will be publishing a proposed rule formalizing the expanded waiver authority contained in the legislation.

QUESTIONS SUBMITTED BY SENATOR McCLURE

1984 SUPPLEMENTALS

Question: Your request for additional funds to allow for full payments to all eligible recipients for the full fiscal year is needed because expected savings from various legislative proposals did not materialize. Could you please explain what these proposals were and why they did not come about?

Answer: The Fiscal year 1984 budget as presented to the Congress contained the following proposed legislation resulting in a projected net savings of $766 million:

- Delay Thrifty Food Plan COLA -- Freeze the amounts of the Thrifty Food Plan at current levels ($253 effective October 1, 1982) through April 1, 1984--$32 million savings in 1984.
- Simplified Deductions -- Increase standard deduction to $140, eliminate excess shelter deduction, permanently cap dependent care deduction at $115, replace 18 percent of earned income deduction with a flat $75 deduction for full-time workers (prorated for part-time workers) -- $325 million savings in 1984.
- Household Definition -- All persons who live under the same roof would be considered to be a single household, with certain exceptions -- $70 million savings in 1984.
- Categorical Eligibility/Simplified Benefits -- This provision would provide for categorical eligibility and simplified benefit determination for food stamp households, all of whose members are certified as eligible for or receiving AFDC payments - $70 million savings in 1984.
- Community Work Experience -- This provision would require the performance of public service work as an eligibility requirement for all household members subject to the current work registration and exempt from work registration solely because of receipt of unemployment insurance -- $90 million savings in 1984.
- Error Rate Sanction -- Revise error rate sanction and incentives system to hold States liable for full amount of incorrect issuance (eligibility and overissuance errors) over three percent -- $423 million savings in 1984.
- Interaction Costs -- The effect of new proposals for Aid to Families with Dependent Children (AFDC), Social Security (OASDI) and Supplemental Security Income (SSI) will increase food stamp costs by $245 million in 1984.

The Fiscal Year 1984 appropriation, as passed by the Congress, did not include the Administration's legislative proposals.

Question: The WIC Program has expanded rapidly during the past ten years. From conversations with constituents and program administrators I am aware of the program and the nutritional needs of program participants. You are now requesting additional supplemental funds in order to maintain current participation levels through the year end.

In your statement you said that due to the $100 million provided in the emergency supplemental enacted last May WIC participation grew rapidly at the end of Fiscal Year 1983. Do you expect another rapid increase in participation levels and if so will you be forced again to request additional funds? Where will this escalation end if, when we appropriate more funds, participation levels rise to the point that more money must be requested? Can you provide me with quantitative figures on the actual benefits which are derived from this program?

Answer: We do not expect another rapid increase in participation levels. The administration's supplemental request would reduce participation from a current 3.0 million level to an annual average of 2.8 million. Funds provided by Congress only finance operations, through July 10, 1984. The $100 million that was provided by Congress in the Emergency Jobs Act had to be spent before the end of Fiscal Year 1983, which resulted in substantial participation increases. Based upon October data, the current WIC Program cost per person is $37.05. Of this amount, $30.00 is for food and $7.05 for administrative purposes. Benefits which are directly derived from the program include a specifically tailored food package to meet the participant's individual nutritional needs; nutrition education counseling; and information and referrals to other assistance programs.

CHILD NUTRITION PROGRAMS

Question: I recently visited with a constituent who was representing the American School Food Service Association, and was recently retired from her job as Director of the school lunch program in District 151 in Boise, Idaho. She had fact sheets prepared by the American School Food Service Association which showed an increase in total students enrolled and served each day and a decrease in the average sale price of both elementary and secondary school lunches in the State of Idaho. After reading these statistics I asked how this could be true when the program had sustained a decrease in funds. She stated that the schools had adjusted and were probably better managed than before. Is Idaho alone in finding that their program can be run better? If not, what are the other States?

Answer: We do not regularly collect or maintain data which would show specific increases and decreases in lunch prices at the local level. However, we are aware from State reports at regional meetings and other communications that many local school districts initially went through a period of adjustment as a result of the funding reductions brought about in the Omnibus Reconciliation Act of 1981. Furthermore, we are aware that they have generally adjusted to the decreases by tightening operational controls and improving management overall. This is reflected in the fact that student participation has continued to increase nationwide since the initial drop off which resulted from the referenced legislation.

SPECIAL SUPPLEMENTAL FOOD PROGRAMS

Question: I met recently with the Director of the WIC Program for the State of Idaho. She expressed concern over the change in the percentage of food costs funding and administrative funding. She stated that a change from 20% to 18% in administrative funding would make it difficult to operate the program. She was not able to adequately describe "administrative costs". Would you please provide me with a list of administrative costs that are allowable in this program. What costs are not allowable?

Answer: Allowable administrative costs means costs that include, but are not limited to, costs for certification of eligibility of persons for participation in the program; medical equipment used for certification; food delivery; monitoring; nutrition education; outreach; start-up costs; and general administration applicable to implementation of the program. Unallowable administrative costs are limited to those identified in the Office of Management and Budget Circular A-87 titled "Cost Principles for State and Local Governments", This circular provides guidance for determining the allowable costs of Federal programs administered by State, local or Indian Tribal organization governments. Some examples of unallowable costs identified in this circular are: bad debts, fines, penalties, entertainment expenses, and contributions, as well as the costs incurred in the acquisition of supplemental foods. The Department believes that States are now in a good position to strengthen their operating process and make them more efficient. Further easing of administrative requirements is expected to be accomplished through the regulatory process.

Question: I have heard of women on the WIC Program who have excess milk and cheese which their families cannot use each month, so they supply their friends and neighbors at government expense. What evidence does the Department have regarding such abuses of the program? What steps is the Service taking to combat such abuse? Does the Department believe sufficient amounts could be saved by stopping this abuse?

Answer: While abuses of this nature may occur, FNS believes they are relatively isolated incidents. There is no body of evidence to indicate that a widespread problem exists. For this reason, FNS has focused its efforts to curb abuses through counseling of participants. Participants are counseled on the proper use of supplemental foods and food instruments and are also cautioned about program abuse. The repercussions of such abuse vary from State to State since each State agency is required to establish procedures and sanctions to control participant abuse.

Question: The main thrust of the WIC Program is to provide adequate nutritional information and supplemental foods to meet the needs of women and infants who are at "nutritional risk". Women who come in for testing and are found to be at "nutritional risk" are advised that there is an educational program designed to teach them the correct foods and food preparation procedures to help them correct the nutritional imbalance and provide healthy nutritious foods for themselves and their families. These women can refuse to attend the class but still receive supplemental foods. It seems to me that if you feed someone but do not teach them how to help themselves soon they are back for more food. But if you teach them how to help themselves they soon do not need your help but can take care of themselves, Why is the educational program on nutrition not mandatory? Why can we not use the University extension specialists, whom we already have in the States, to teach classes on nutrition to those on the WIC Program? Are we duplicating our efforts by not using extension personnel?

Answer: The nutrition education component is not, as you point out, mandatory; however, it is very rare that participants refuse this benefit. Individuals who participate in WIC tend to be motivated to use all program benefits properly. A mandatory nutrition education provision would ensure that those few individuals who decline to receive nutrition education would be deprived of needed foods. A parent or guardian's refusal of nutrition education could negatively affect the well-being of an infant or child who had no choice in the matter.

Please be assured that every effort is made to bring all participants into the nutrition education component of the program. Individuals who provide the nutrition education component are required to identify the special nutritional needs and problems of pregnant, breastfeeding, and postpartum women, infants and children. The nutrition education personnel must also be able to assist individuals to achieve a positive change in food habits through education and the identification and development of educational materials.

Extension agents have a broad range of issues for which they are responsible and may not have the time needed to oversee long-term changes in nutrition habits of the special WIC participant population. Program regulations indicate that nutrition education may be provided either directly by local agencies or through agreement with other agencies. Extension agents may, in fact, be providing nutrition education to WIC participants in some areas. However, the Agriculture Extension Service does not have sufficient resources to assume the responsibility of ongoing nutrition education for approximately 3.0 million WIC participants.

FOOD STAMP PROGRAM

Question: You are proposing that States pay back the value of all coupons issued in error above 3%. What is the average error rate? How many food stamp recipients were there in Fiscal Year 1983? How many are on the rolls currently? Has there been a decrease in enrollment in relation to the decrease in unemployment? Do you expect to see a decrease in enrollment due to continued increase in employment?

Answer: The most recent available quality control data is for the October 1981 - March 1982 semiannual period. The national error rate for that period for overpayments (issuances to ineligible households and overissuances to eligible households) was 9.78%. It must be remembered that these data reflect a period before implementation of the error rate liability system contained in P.L. 97-253. Preliminary data from the first half of Fiscal Year 1983 indicates that the error rate has fallen to 8.2 percent.

Average monthly participation in Fiscal Year 1983 was 21.6 million persons in 7.85 million households. Our most recent data is for January 1984 when 21.2 million persons in 7.7 million households participated.

Food Stamp Program participation has traditionally reacted to changes in unemployment. The effects of unemployment changes, however, are not always immediately observed. There are also seasonal patterns of participation that make it more difficult to see the effect of unemployment. It is clear, however, that program participation has fallen as the economy has recovered during the past year.

In December 1982, for example, the national unemployment rate peaked at 10.8 percent. Food stamp participation reached its peak (22.6 million people) three months later, in March 1983. By January 1984, food stamp participation had fallen to 21.2 million persons and the unemployment rate had fallen to 8 percent.

We expect that this trend will follow a continuation of the recovery in the economy in Fiscal Year 1984. We are projecting that food stamp participation will average 20.5 million persons per month in 1984--a decline of over one million persons from last year's average.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

WIC

Question: According to your budget, your proposed WIC funding level for Fiscal Year 1984 would serve 2.8 million persons. Isn't it correct that this 2.8 million figure is an average figure for the entire fiscal year?

Answer: It is correct that the proposed WIC funding level for Fiscal Year 1984 was intended to serve an average of 2.8 million participants for the fiscal year.

Question: Since we're now nearly halfway through the fiscal year and about 3 million persons have been served in every month this fiscal year, wouldn't your request require cutting far more than 200,000 persons from the program in the latter months of Fiscal Year 1984 in order to bring average participation for the entire year down to 2.8 million?

Answer: Using current economic assumptions, participation would have to fall to 2.2 million persons in the last quarter of the fiscal year to average 2.8 million for the fiscal year. This assumes a continued participation of about 3 million persons through June.

Much of any needed caseload reduction could be achieved through normal caseload attrition. A 1977 study found that the average duration of participation was about nine months. Thus, about one-ninth of the caseload, or about 300,000 people, normally leave the program in a given month. Thus, over three months, we could expect about one-third of all participants to leave for normal reasons.

WIC FOOD PACKAGE COSTS

Question: Your budget carries an estimate that the cost of the WIC food package will rise only about two percent from Fiscal Year 1983 to Fiscal Year 1984. Yet, infant formula companies raised their prices 6 percent at the end of Fiscal Year 1983 and egg prices in January were 45 percent higher than average egg prices during Fiscal Year 1983 measured on a seasonally adjusted basis. FNS' own data show that the WIC food package already costs more in October, November, and December--the first three months of the fiscal year--than your budget estimates will cost, on average, for the entire Fiscal Year 1984. Clearly there is something wrong with your estimates. How long ago were your WIC food cost estimates made--and do they take into account the recent increases in egg prices?

Answer: The economic assumptions used to develop the 1985 budget were prepared early in December 1983. Given the available data at that time and the prior year's experience, the projections were reasonable. Eggs comprise only a small part of the package. Further, the preliminary data for October, November and December referred to show maximum possible obligations based upon issued vouchers, not actual costs. This data is being revised downward as actual obligations are reported by the States.

Question: Isn't it correct that if your food cost estimates are too low, then even fewer women, infants, and children could be served under your budget than you have estimated.

Answer: If food costs per person increase above the projected level assumed in the 1985 budget, given the fixed amount of available funds, a lower level of participation would result.

Question: Has there been any effort to adjust your WIC food package estimates to reflect current food price increases?

Answer: We have considered alternative ways to compute food inflation but no changes have been made at this time.

Question: What are the revised food package cost estimates and how will they impact on your participation estimates for both Fiscal Years 1984 and 1985?

Answer: We do not have any revised cost estimates at this time.

WIC CASELOAD

Question: The continuing resolution provided funds for maintaining the current WIC caseload of three million persons through July 10. If this caseload level is maintained until July, as you were directed to do, doesn't this mean that participation would have to be drastically cut in July, August, and September in order to bring participation down to the 2.8 million average for the year?

Answer: In order to attain 2.8 million average participation, July, August and September participation levels would need to average 2.2 million if the current 3.0 million participation is sustained through June. Much of the caseload reduction could be achieved through normal attrition.

Question: The conference report to the continuing resolution explicitly states, regarding funding for the WIC Program, that "any action to spread the $1.06 billion appropriated herein beyond July 10, thereby reducing participation, would be in direct violation of the intent of the conferees." Can you assure the subcommittee that you will comply with this directive and will continue to provide sufficient funds to the States to maintain current WIC caseloads through July 10?

Answer: The Department is fully aware of the directive contained in the conference report and will provide all available funds to the States. This should be sufficient to maintain average participation through July 10, 1984 at the current levels.

Question: If the Congress provides you with the supplemental you have requested sometime in late June, what level of participation can be supported in July, August, and September?

Answer: Given the participation levels to date and assuming they remain virtually static from now until July, participation during the last quarter of Fiscal Year 1984 would average about 2.2 million participants per month.

WIC QUARTERLY ALLOCATIONS

Question: There are reports circulating that the Administration is considering directing FNS to reduce the quarterly WIC allocation due to be provided to States in April, and to spread some of this funding into the July-September quarter. Such an action would require States to slash their caseloads starting in April. Are these reports accurate and can you give us your assurance that this action will not be taken?

Answer: We have not been directed to reduce the quarterly WIC allocation for the third quarter or to spread some of these funds into the July-September quarter.

Question: FNS has estimated that in 1980, there were 8.4 million women, infants and children who met the WIC income eligibility limits. Since 1980, the number of low-income pregnant and postpartum women, infants and children under age 5, has climbed by about 2 million, so that there now appear to be over 10 million persons poor enough to meet the WIC income criteria. In addition, the American Academy of Pediatrics has pointed out that since the WIC Program is preventive as well as remedial, most women, infants and children who meet the WIC income criteria also meet the nutritional risk criteria. Today, the WIC Program serves 3 million women, infants and children--or only about 30 percent of this 10 million. At a time when the President's own Task Force on Food Assistance has acknowledged that hunger is a significant problem in this Nation and has specifically recommended that the current WIC caseload be maintained, how can you justify serving even a smaller proportion of those in need and recommending that hundreds of thousands of low-income women, infants and children at nutritional risk be thrown off the program?

Answer: We believe $1.3 billion meet the need of the high priority target population. We estimate that this funding level will support 2.7 million participants. This would still be much higher than the average Fiscal Year 1983 participation of 2.54 million. This level can be achieved in part by better targeting of benefits to infants and pregnant women, who are more vulnerable than older children. Other programs, such as the Child Care Food Program or the Commodity Supplemental Food Program, also serve older children.

The estimate that the WIC Program is serving no more than 30 percent of the "need" is taken out of context. Those estimates do not account for those at nutritional risk which, if properly accounted, would lower the estimates of those eligible and increase the percent served. It seems logical that, as the economy improves and unemployment declines, the income eligible population will further decline.

Question: The Supplemental Food Division of FNS has previously said that $48 million in Fiscal Year 1983 carryover was available, and FNS financial reports on Fiscal Year 1983 expenditures by States support the $48 million figure. However, the budget notes state that funds available in Fiscal Year 1984 include both "$1.1 million in Fiscal Year 1983 funds which are available to the States for use in Fiscal Year 1984...and Fiscal Year 1983 funds of $48,685,028...." What is the additional pot of $1.1 million? Where did it come from?

Answer: The $1.1 million represents the unobligated balance at the end of Fiscal Year 1983.

WIC ADMINISTRATIVE EXPENSES

Question: Why has USDA put only 19.2 percent of Fiscal Year 1984 funds into the administrative cost category? The law requires 20 percent to be allocated for administration, and FNS has already allocated all available Fiscal Year 1984 funds, including carryover funds, on an 80/20 basis. Does FNS plan to move $9.8 million in carryover funds already provided to States for administration into the food category? If so, when will this shift in funds occur and what is the legal basis for it--the statute authorizes more than 20 percent of carryover funds to be provided for administration, but does not authorize less than 20 percent to be provided for administration if administrative funding is needed.

Answer: The total Fiscal Year 1984 availability of $1,276.8 million, less $3 million for evaluation projects, has been distributed on the basis of 80 percent for food costs and 20 percent for program administrative costs. There is an error in the notes accompanying the Fiscal Year 1985 Budget. The notes showed $48.7 million in Fiscal Year 1983 obligated funds only for the costs of food. This amount was, in fact, applied toward program operations in the usual manner.

Question: Isn't it true that if Congress rejects your proposal to reduce the portion of WIC funds directed to nutrition education and administrative services, then the requested funding level will serve even fewer participants than the budget estimate? How many fewer?

Answer: Yes, rejection of the proposal to reduce administrative funds to the 18 percent level would mean that the requested funding level will serve fewer participants. Using our current cost estimates contained in the budget, retention of 20 percent administrative funding would serve an average of 66,000 fewer people than projected in the budget request or 2.63 million people per month could be served assuming a 20 percent administrative funding level and using the cost estimate contained in the budget.

Question: What justification is there for the proposal to reduce administrative costs of the WIC Program from 20 to 18 percent? Have any studies been done or are any underway which would support the view that the program can be effectively administered at a lower cost?

Answer: The share of total funds for WIC administration is higher than most public assistance programs. Although the 20 percent level may have been appropriate in the early days of the program, as start-up costs occurred, the more mature program can be more efficient. To help improve the efficiency of WIC operations, regulatory burdens can be decreased through deregulation.

We are unaware of any recent studies which directly address this subject. We do know that States' administrative costs vary. For example, preliminary Fiscal Year 1983 data shows that Rhode Island used 26 percent for administration, while California used 16 percent. FNS continuously reviews administrative costs in WIC State agencies to learn more about how States manage their money.

Question: What impact will the lowering of administrative reimbursement have on the States' ability to oversee the program and to keep fraud and abuse from becoming a problem?

Answer: By careful lessening of administrative requirements through deregulation and guidance by FNS, we believe that WIC program administrative funds can be reduced with minimal impact. Lower administrative funding levels will require FNS and the States to restructure program operations to be more efficient. We will do all that is possible to ensure that necessary accountability safeguards are maintained.

Question: Please provide a state-by-state breakdown of the food package and administrative costs associated with the program in Fiscal Year 1983 and include a column illustrating the percentage of each State's WIC budget administrative costs represents.

Answer: The information requested follows:

SUPPLEMENTAL FOOD PROGRAMS DIVISION

Fiscal Year 1983 Costs Per Person and Administrative Costs as Percent of Total Grant

WIC State Agencies	Food Cost Per Person	Admin. Cost Per Person	Total Cost Per Person	Admin as Percent of Total Grant	
NORTHEAST					
Connecticut	30.71	7.78	38.49	20.2	
Maine	26.58	7.92	34.50	22.5	
Massachusetts	31.19	7.56	38.75	19.2	
New Hampshire	29.47	8.61	38.08	23.5	
New York	30.70	7.25	37.95	19.8	
Rhode Island	27.76	9.51	37.27	25.4	
Vermont	25.46	9.40	34.70	25.9	
Indian Township, ME	33.28	16.97	50.25	33.3	
Penobscot, ME	26.81	14.45	41.27	33.3	
Pleasant Point, ME	32.33	17.80	50.12	33.3	
Seneca Nat., NY	32.47	16.63	49.10	33.3	
Total	30.19	7.63	37.82	20.5	
MID-ATLANTIC					
Delaware	28.89	9.84	38.72	23.3	
Maryland	24.06	6.22	30.29	20.3	
New Jersey	27.49	7.84	35.33	21.3	
Pennsylvania	23.49	5.88	29.37	19.8	
Puerto Rico	39.11	5.09	44.20	12.3	
Virginia	27.11	6.84	33.95	18.9	
Virgin Islands	38.70	11.24	49.95	22.7	
West Virginia	29.00	8.17	37.17	21.3	
District of Columbia	27.39	8.33	35.72	24.1	
Total	27.94	6.58	34.52	18.7	
SOUTHEAST					
Alabama	26.48	7.04	33.52	21.2	
Florida	30.47	7.31	37.78	19.5	
Georgia	31.98	7.33	39.31	18.4	
Kentucky	32.78	7.67	40.45	19.1	
Mississippi	23.08	7.12	30.20	24.0	
North Carolina	28.83	6.59	35.42	19.1	
South Carolina	31.14	7.33	38.47	19.5	
Tennessee	32.98	7.96	40.93	18.9	
Seminoles, FL	13.06	21.37	34.44	33.3	
Miccosoukee, FL	30.35	17.04	47.39	31.7	
Choctaws, MS	26.43	12.65	39.09	28.1	
E. Cherokee, NC	33.39	12.76	46.14	25.9	
Total	29.58	7.25	36.83	19.9	

SUPPLEMENTAL FOOD PROGRAMS DIVISION

	Food Cost Per Person	Admin. Cost Per Person	Total Cost Per Person	Admin. as Percent of Total Grant	
SOUTHWEST					
Arkansas	34.59	10.31	44.90	19.8	
Louisiana	33.50	7.23	40.72	20.1	
New Mexico	32.52	8.77	41.29	21.3	
Oklahoma	32.47	8.68	41.15	19.9	
Texas	30.31	7.27	37.58	19.2	
ACL, NM	30.20	8.64	38.85	26.4	
8N. Pueblo, NM	30.16	10.59	40.73	24.0	
Isleta Pueblo, NM	34.18	16.63	50.82	32.1	
Santo Domingo, NM	31.72	12.78	44.50	25.9	
Five Sandoval, NM	33.24	13.45	46.69	25.9	
San Felipe, NM	29.60	10.77	40.38	25.9	
WCD Ent., OK	29.94	10.55	40.49	25.8	
Choctaws, OK	30.76	10.30	41.06	25.7	
Cherokee, OK	32.39	9.33	41.61	21.6	
Chickasaw, OK	32.77	13.45	46.22	25.9	
Tonkawa, OK	31.17	15.41	46.59	25.9	
Potawatami, OK	30.25	10.73	40.97	25.6	
Zuni, NM	34.61	11.87	46.47	25.7	
Total	31.86	7.85	39.71	19.9	
MIDWEST					
Illinois	28.78	7.21	35.99	19.5	
Indiana	27.49	7.03	34.51	19.1	
Michigan	27.12	7.07	34.19	20.1	
Minnesota	26.45	7.36	33.81	21.9	
Ohio	24.72	6.52	31.24	22.2	
Wisconsin	25.08	6.25	31.33	20.1	
Total	26.60	6.88	33.48	20.6	
MOUNTAIN PLAINS					
Colorado	28.99	8.08	37.07	21.5	
Iowa	25.31	6.26	31.57	19.2	
Kansas	27.73	8.42	36.14	22.1	
Missouri	29.37	7.15	36.52	19.1	
Montana	26.11	8.68	34.79	23.6	
Nebraska	24.82	7.93	32.76	24.3	
North Dakota	26.42	9.03	35.46	25.3	
South Dakota	27.12	7.50	34.62	25.4	

SUPPLEMENTAL FOOD PROGRAMS DIVISION

	Food Cost Per Person	Admin. Cost Per Person	Total Cost Per Person	Admin. as Percent of Total Grant	
MOUNTAIN PLAINS (cont'd)					
Utah	29.04	8.15	37.19	22.5	
Shos & Ara., WY	32.66	11.10	43.76	26.4	
Ute Mtn. Tribe, CO	29.15	26.89	56.04	28.4	
Winnebago, Neb.	30.27	13.76	44.03	25.1	
Cheyenne Rv., SD	33.19	10.06	43.24	24.1	
Rosebud, SD	29.88	9.73	39.62	23.3	
Standing Rock, ND	32.61	9.83	42.43	23.5	
Ft. Berthold, ND	30.95	11.68	42.62	25.9	
Wyoming	27.39	9.08	36.47	24.3	
Total	27.78	7.74	35.51	21.5	
WESTERN					
Alaska	39.80	14.35	54.15	27.7	
Arizona	30.90	7.59	38.48	20.7	
California	36.06	7.00	43.06	16.9	
Hawaii	41.61	14.82	56.42	25.3	
Idaho	31.89	9.51	41.41	22.4	
Nevada	29.63	8.53	38.16	21.9	
Oregon	31.60	8.42	40.03	21.1	
Washington	30.91	8.83	39.74	21.1	
ITCN	30.61	9.00	39.62	25.5	
Maniilaq, AK	54.72	19.32	74.04	24.8	
Navajo Nation, AZ	41.19	9.55	50.75	18.2	
Guam	15.20	28.64	43.84	26.3	
Total	34.75	7.80	42.55	18.6	
NATIONAL TOTAL	29.66	7.31	36.97	19.9	

NATIONAL ADVISORY COUNCIL

Question: The Child Nutrition Act requires that the National Advisory Council on Maternal, Infant and Fetal Nutrition monitor WIC on an ongoing basis. Currently, a third of the positions are vacant--six of which have been vacant since last May. Your Department's failure to fill vacancies, as expiring Council members' terms ended, has severely limited the ability of the Council to provide assistance and makes it difficult to get a quorum required to convene meetings. Please provide a list of the current membership of the Council along with an explanation as to why vacancies exist.

Answer: The National Advisory Council on Maternal, Infant and Fetal Nutrition, mandated by Public Law 95-627, is comprised of 21 members. The list which follows shows current members. The nomination, selection and clearance process is somewhat lengthy. The membership and terms of each position are specified by law. The Department solicits nominations for the vacancies on the Council from current and past members; Regional, State, and local agencies operating WIC and CSF Programs; and other organizations, including professional associations whose memberships include persons qualified for the positions.

Preliminary selections are made from the nominations received. Based on Departmental Committee Management regulations this selection focuses on ensuring that the Council has (1) a balanced membership reflecting the differing views of the groups substantially affected by the matters to be considered by the Council; and (2) an ethnic, racial and sexual balance. The Department also considers nationwide geographic balance. The selected nominees then begin a clearance process within the Department that involves the Office of the Secretary, the Office of Personnel, and the Office of the Inspector General. The Federal Bureau of Investigation also does a security check.

March 1984

United States Department of Agriculture
Food and Nutrition Service
Supplemental Food Programs Division

MEMBERSHIP OF NATIONAL ADVISORY COUNCIL ON MATERNAL, INFANT AND FETAL NUTRITION

Category of Membership As Specified in the Legislation	Member	Member Serves Until This Date
State WIC Program Director a/	Karen E. Pearson Nutrition Service Program South Dakota Department of Health 523 East Capitol Pierre, South Dakota 57501 (605) 773-3737	9/30/86
State Director of a CSF Program a/	Rose Ann Langham, Dr.P.H., R.D. Administrator, Nutrition Section Office of Health Services and Environmental Quality, DHHR P.O. Box 60630 New Orleans, Louisiana 70160 (504) 568-5065	9/30/86
State WIC Program Fiscal Director	Charles W. McGrew Director, Bureau of Public Health Programs Arkansas Department of Health 4815 West Markham Little Rock, Arkansas 72201 (501) 661-2528	9/30/84
State Health Officer	Vacant	
WIC Program Project Director in an Urban Area	Gaye K. Joyner Director, Bureau of Nutrition Jefferson County Health Department 1400 Sixth Avenue, South Birmingham, Alabama 35233 (205) 933-9110	9/30/85
WIC Program Project Director in a Rural Area	Marie H. Rodriguez, R.N. Nursing Director East Feliciana Parish Health Unit P.O. Box 124 Clinton, Louisiana 70722 (504) 683-8551	9/30/84
Project Director, Local CSF Program	Davina Shutzer Director of WIC/CSFP/Community Health Services Nebraska Panhandle Community Action Agency 4502 Avenue I Room 200 Scottsbluff, Nebraska 69361 (308) 635 3089	9/30/85

a/ Approved as of March 22, 1984. Formally appointed April 27, 1984.

Category of Membership As Specified in the Legislation	Member	Member Serves Until This Date
State Public Health Nutrition Director	Molly A. Graber Chief of Nutrition Services Health Promotion Disease Prevention Administration Bureau of Personal Health Services Michigan Department of Public Health P.O. Box 30035 Lansing, Michigan 48909 (517) 373-7574	9/30/85
Representative of an Organization Serving Migrants [a]	Ricardo Lucero Executive Director Yakima Valley Farm Workers Clinic P.O. Box 190 518 W. 1st Avenue Toppenish, Washington 98948 (509) 865-5600	9/30/86
Official from a State Agency Serving Predominately Indians [a]	Katherine D. Arviso, Director Department of Food and Nutrition Services Box 1390 The Navajo Nation Division of Health Improvement Services Window Rock, Arizona 86515 (602) 871-6780	9/30/86
Parent Participant in the WIC Program	Brunilda Rodriguez 18 N. Jerboa Street Dunkirk, New York 14048 (716) 366-4373	9/30/84
Parent Participant in the WIC Program	Vacant	
Parent Participant in the CSF Program	Karen Jennings 1264 Jersey Denver, Colorado 80220 (303) 377-0230	9/30/84
Pediatrician	Don Val Langston, M.D. 3201 W. Peoria Phoenix, Arizona 85029 (602) 866-8850	9/30/85
Obstetrician	Gerald L. Mowry, M.D. 1133 College Avenue Manhattan, Kansas 66502 (913) 776-1400	9/30/84
Representative of a Non-Profit Public Interest Organization	Vacant	
Person Involved at the Retail Sales Level of Food	William D. Platt Executive Director Food Retailers Association of South Carolina 936 S. Stadium Road Columbia, South Carolina 29201 (803) 256-7351	9/30/84

[a] Approved as of March 22, 1984. Formally appointed April 27, 1984.

Category of Membership As Specified in the Legislation	Member	Member Serves Until This Date
Official from the Department of Health and Human Services	Dr. Allan S. Noonan, M.D. Chief, Genetic Diseases Services Branch Division of Maternal and Child Health Bureau of Health Care Delivery and Assistance Health Resources and Services Administration Public Health Service, DHHS 5600 Fishers Lane, Room 6-11 Rockville, Maryland 20857 (301) 443-1080	Serves at the discretion of the Secretary of DHHS
Official from the Department of Health and Human Services	E. Ann Prendergast, R.D., M.P.H. Chief Nutritionist Bureau of Health Care Delivery and Assistance Division of Maternal and Child Health Public Health Service, DHHS 5600 Fishers Lane, Room 614 Rockville, Maryland 20857 (301) 443-2370	Serves at the discretion of the Secretary of DHHS
Chairperson and Official from the Department of Agriculture	Mary C. Jarratt Assistant Secretary for Food and Consumer Services U.S. Department of Agriculture Washington, D.C. 20250 (202) 447-4691	Serves at the discretion of the Secretary of USDA
Vice-Chairperson and Official from the Department of Agriculture	George A. Braley Deputy Administrator Special Nutrition Programs Food and Nutrition Service U.S. Department of Agriculture Alexandria, Virginia 22302 (703) 756-3052	Serves at the discretion of the Secretary of USDA

Executive Secretary	Barbara P. Sandoval, Director Supplemental Food Programs Division Food and Nutrition Service U.S. Department of Agriculture Alexandria, Virginia 22302 (703) 756-3746	

Question: When do you intend to fill the vacancies?

Answer: Six positions were filled in late March. We are now seeking nominations for three vacant positions.

Question: When was the last meeting of the Council and when will the next meeting be convened?

Answer: The law requires that the Council meet at least once a year. The last meeting was held in May 1983. Plans are now underway for a Council meeting to be held in June 1984.

Question: Has the Council released any report or made any recommendations regarding the WIC Program within the past two years? If so, please provide copies of the same for record.

Answer: The function of the Council is to make a continuing study of the operation of the Special Supplemental Food Program for Women, Infants and Children (WIC) and related programs, such as the Commodity Supplemental Food Program (CSFP), and to determine areas of program administration and operation that need improvement. The law mandates that the Council report its recommendations for administrative and legislative changes to the President and Congress on a biennial basis.

The Council's 1982 Biennial Report was issued in January 1983 and submitted at that time to the President and Members of Congress. This report contained thirteen recommendations and also addressed four areas of concern. A copy of this report is submitted for your information.

United States
Department of
Agriculture

Food and
Nutrition
Service

National Advisory Council on Maternal, Infant, and Fetal Nutrition:

1982 Biennial Report

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The 1982 report of the National Advisory Council on Maternal, Infant and Fetal Nutrition is herewith submitted to you and to the Congress.

The function of the Council is to make a continuing study of the operation of the Special Supplemental Food Program for Women, Infants and Children (WIC) and related programs, such as the Commodity Supplemental Food Program (CSFP), and to determine areas of program administration and operation that need improvement. The law mandates that the Council report its recommendations for administrative and legislative changes to the President and Congress on a biennial basis.

The Council, which is composed of 21 members as specified by Public Law 95-627, represents individuals with a wide variety of backgrounds. Council members are selected from specific fields of expertise.

The Council presents 13 recommendations and four areas of concern in its report. At the request of the Council, the report also includes a section on program evaluation and one on actions taken by the Department on previous Council recommendations. The Department is committed to administering the WIC and CSF Programs in an efficient manner, and we appreciate the Council's advice.

Sincerely,

Mary C. Jarratt

MARY C. JARRATT
Assistant Secretary and Chairperson
National Advisory Council on Maternal,
  Infant and Fetal Nutrition

Introduction

The Council recognizes that proper maternal, fetal and early childhood nutrition is critical--critical for the mother's health and the growth and development of the fetus, infant and child. Therefore, the Council supports the goals of the Special Supplemental Food Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food Program (CSFP). These goals are: to improve the health and nutritional status of low-income women, infants and children during critical times of growth and development, and to increase participants' knowledge of the relationship between proper nutrition and good health.

In this report the Council presents certain recommendations to the President and the Congress for consideration. The Council believes these recommendations will enhance the administration and operation of both of these Supplemental Food Programs (SFP), and further ensure that program goals will be met. The period covered by this report is October 1, 1980, through September 30, 1982.

For the convenience of the reader this report has been prepared so that each topic stands on its own. While this has resulted in some repetition of content, it eliminates the necessity of having to refer back and forth to various sections for information when reading the report.

The Supplemental Food Programs are open to all eligible people regardless of race, color, sex, national origin, age, or handicap.

January 1983

Overview

Establishment of both the CSFP and WIC was prompted by studies that had shown that women who suffer from malnutrition during pregnancy risk permanent physical and mental damage to their unborn children. This critical stage of development for a child continues through the early years. When pregnant women, infants, and young children are undernourished during critical periods of growth and development, there could be infant mortalities due to low birth weight, mental retardation, learning disabilities, and impairment in physical growth and development.

CSFP provides nutritious foods and nutrition education at no cost to participants to supplement the diets of low-income pregnant, postpartum and breastfeeding women, infants, and children under 6 years of age who are vulnerable to malnutrition. Nutrition education is offered as a part of the program, with a special emphasis on the nutritional needs of the individual.

USDA donates commodity foods to the State agencies for distribution to participants and provides funds to State and local agencies to cover certain administrative costs. USDA pays for the initial processing and packaging of the food and transporting it to the State agency. State distributing agencies are then responsible for storing the food and distributing it to local agencies. Local agencies provide the supplemental foods to participants.

The flexible design of the CSFP allows State and local agencies to administer the program in a manner tailored to meet the community's needs and resources. Community involvement in the CSFP takes many forms, ranging from supplying volunteer drivers to providing warehouse space.

The WIC Program provides specific nutritious supplemental foods and nutrition education as an adjunct to good health care at no cost to a similar clientele as the CSFP. In WIC, children are eligible up to age 5. WIC participants are eligible low-income persons who are determined by competent professionals to be at nutritional risk. Federal funds are available to participating State health departments or comparable State agencies. Indian tribes, bands, groups, or their authorized representatives recognized by the Bureau of Indian Affairs, U.S. Department of the Interior, or the appropriate area office of the Indian Health Service, U.S. Department of Health and Human Services, may also act as State agencies. These agencies distribute funds to the participating local agencies. The funds pay for supplemental foods for participants and pay allowable administrative costs, including those of nutrition education.

WIC food packages are designed to supplement participants' diets and not to provide for total dietary needs. The supplemental foods provided are high in protein, calcium, iron and vitamins A and C, which are nutrients most lacking in the diets of pregnant, breastfeeding, and postpartum women, infants and children at nutritional risk. In addition, the foods provided have been selected because they are readily accepted by program participants, commercially available nationwide, economical in cost, and administratively manageable.

Nutrition education is available to all adult WIC participants, to parents or caretakers of infant and children participants, and whenever possible, to the children who participate. The goals of nutrition education in the WIC Program are to teach the relationship between proper nutrition and good health, to help the individual at nutritional risk develop better food habits, and to prevent nutrition-related problems by showing participants how to best use their supplemental and other foods. The WIC Program also encourages participants to breastfeed and counsels pregnant women on its nutritional advantages.

Historical Review - CSFP

Between 1962 and 1968, a series of meetings was held between the Department of Agriculture (USDA) and the Department of Health, Education and Welfare (now the Department of Health and Human Services--DHHS). The purpose was to discuss the problem of infants and pregnant and breastfeeding women from low-income families who lacked adequate food, were vulnerable to malnutrition, and would benefit from more effective use of the donated commodity foods program. Further, in 1968, a Citizens' Board of Inquiry into Hunger and Malnutrition in the United States recommended supplementing the diets of these infants and women. As a result, in May 1968, USDA established a Supplemental Food Program for this target population. The program was officially established by administrative action in 1969 as an extension of the Commodity Needy Family Program. The first authority to expend funds for a supplemental feeding program appeared in the Agricultural Appropriation Act for 1969 (Public Law 90-463 approved August 8, 1968).

The Supplemental Food Program was thus designed to provide supplemental food packages in the form of USDA donated commodities for pregnant and breastfeeding women and infants. It was recognized that while the Food Stamp Program did provide substantial food assistance to low-income families, many high risk individuals were not eligible for the program.

In 1973, Congress appropriated funds to purchase additional commodities to continue the program. Public Law 95-113, enacted September 29, 1977, authorized the continuation of the program through Fiscal Year 1981. (Section 5 of this law also changed the name of the program to the "Commodity Supplemental Food Program.") The Agriculture and Food Act of 1981 (Public Law 97-98) reauthorized the program through Fiscal Year 1985.

Currently, the program operates in 12 States through 25 local agencies and serves approximately 135,000 participants. It is administered by State agencies such as the departments of health, social services, education, or agriculture. A local agency may be a public or private nonprofit agency that provides a service to low-income persons.

The program also serves as a link to health care in that local agencies must make health care available or advise participants where it can be obtained. At a minimum, participants must be advised of the importance of health care.

Eligible applicants for the CSFP must: (1) live in an area where the CSFP is operating; (2) meet the income standards for benefits under existing Federal, State, or local food, health, or welfare programs for low-income persons; and (3) at the State agency's discretion, be determined to be at nutritional risk by a physician or staff person at the local agency.

After applicants are certified, they receive either food packages or a voucher entitling them to pick up the food at the local distribution center every month or every other month. There are five food packages for different categories of participants and the foods offered include infant formula and cereal, farina, juice, egg mix, nonfat dry and evaporated milk, dehydrated potatoes, peanut butter or dry beans, canned meat/poultry, and canned fruits/vegetables.

The CSFP food packages do not provide a complete diet, but are designed to provide supplemental foods that are good sources of the nutrients lacking in the diets of the target population. The CSFP provides breastfeeding women with a food package containing additional food to meet their extra nutritional needs.

In 1977, Public Law 95-113 authorized the use of Federal funds for program administration. Initially, Federal funds were only used to purchase and transport the foods to the State designated warehouse. The responsibility for administrative funding was that of the sponsoring local agencies with assistance from public and private sources. This led to strong community support and involvement, which continues to exist today in some programs.

The use of commodities in the CSFP plays an important role in the support of our nation's farm sector since the foods are purchased under price-support and surplus-removal legislation.

Historical Review - WIC

The WIC Program was created in 1972 by Public Law 92-433. Congressional concern that the special needs of women and young children were still not being met by existing programs led to the creation of the WIC Program. WIC began as a 2-year pilot program to provide supplemental foods to low-income pregnant and breastfeeding women, infants, and children up to age 4, who are at nutritional risk. In November 1973, Public Law 93-150 continued WIC to Fiscal Year 1975 by authorizing $40 million. This law also allowed Indian tribes, bands or groups recognized by the Department of the Interior, and the Indian Health Service of the Department of Health, Education and Welfare, to operate as State agencies. Public Law 93-326 later increased the funding for Fiscal Year 1975 to $100 million.

Because of the program's high growth rate and its continued support by States, local agencies, and other interest groups, Congress in October 1975 passed Public Law 94-105, which authorized $250 million for each of Fiscal Years 1976, 1977 and 1978. This law also changed the age limit to allow children to participate until their fifth birthday; increased the State agencies' administrative allowance to 20 percent of program funds; authorized expenditure of administrative funds for nutrition education and start-up costs; and established the National Advisory Council for Maternal, Infant and Fetal Nutrition.

Public Law 95-627, enacted on November 19, 1978, further extended the authorization for WIC through Fiscal Year 1982. Included in this law were provisions that required formulas for the distribution of funds; required the Secretary to establish an income eligibility standard for the WIC Program; and also required an outreach program. This law authorized $550 million for Fiscal Year 1979 with further authorized increases in Fiscal Years 1980 and 1981, and $950 million for Fiscal Year 1982. Public Law 97-35 changed the authorized funding up to $1.017 billion for Fiscal Year 1982, to $1.060 billion for Fiscal Year 1983, and up to $1.126 billion for Fiscal Year 1984. (Actual appropriations for Fiscal Year Year 1982 were $904.32 million plus the use of unobligated Fiscal Year 1981 funds.) Public Law 96-499 extended the program through Fiscal Year 1984.

Currently, WIC operates through State health departments in 50 States, the District of Columbia, Puerto Rico and the Virgin Islands. Additionally, 31 Indian tribal bands and organizations serve as State agencies. Approximately 1,500 local agencies serve about 2.4 million participants through some 7,000 clinic sites.

Eligibility for participation in the WIC Program is based on three major factors. First, a participant must be categorically eligible either by being a pregnant or postpartum woman, an infant, or a child under the age of 5. Second, a participant must have a low income. Third, participants must be certified by a health or nutrition professional as having a nutritional risk condition. "Nutritional risk" is a term used to indicate such health problems as anemia, abnormal weight gain during pregnancy, a history of high risk pregnancies, low birth weight, stunted growth, overweight or underweight, or an inadequate dietary pattern.

Because WIC operates as an adjunct to good health care, participants are encouraged to take advantage of the health care that is available to them. WIC and the health community work hand-in-hand to ensure a better health and nutritional status for a vulnerable population.

Regulations issued in November 1980 designate six WIC food packages which are designed for different categories of participants. These packages contain foods that are good sources of nutrients most likely to be lacking in the WIC population's diet—protein, iron, calcium, and vitamins A and C. The packages are based on the infants' developmental needs and pediatricians' recommendations on infant feeding; correspond to recommended eating patterns for preschool children; meet the additional requirements of pregnant and breastfeeding women; and also encourage breastfeeding.

Under the six food packages, infants through 3 months of age receive iron-fortified formula. Older infants (4 through 12 months) receive formula, iron-fortified infant cereal, and fruit juices high in vitamin C. Women and children receive fortified milk and/or cheese, eggs, hot or cold cereals high in iron, fruit and vegetable juices high in vitamin C, and in some States either peanut butter, dry beans, or peas. WIC provides breastfeeding women with a food package to meet their extra nutritional needs. Women and children with special dietary needs may receive a package containing cereal, juice, and special formula for the treatment of medical conditions such as metabolic disorders, inborn errors of amino acid metabolism, gastrointestinal disorders, malabsorption syndromes, and certain allergies.

In most States, WIC participants receive food vouchers to purchase the supplemental foods at a local grocery store. These vouchers are "food-specific" meaning they can be used only for the foods prescribed by the health or nutrition professional at the local agency. In other areas, the foods are delivered to a participant's home, or the participant picks up foods from a warehouse. A combination of these delivery systems also exists in some State agencies. Each State agency can design a food delivery system to meet its needs.

Evaluations/Studies

Evidence is accumulating to indicate that the WIC Program is having a positive and significant impact on women and infant participants in the United States.

Data from several studies have shown that participation in the WIC Program is associated with a significant increase in birth weight (1-3). More importantly, this has resulted in a reduction in the incidence of infants with low birth weights being born to women who participate in WIC (1-4).

Low birth weight in 1981 was the eighth leading cause of death in the United States; and it correlates more closely with neonatal mortality than any other variable. Infants with low birth weights are twenty times more likely to die than infants with normal birth weights. A study completed in January 1981 indicated that the WIC Program reduced the number of infants with low birth weights and decreased neonatal mortality (3).

In addition, the WIC Program may be associated with reduced medical costs. This is primarily because infants with low birth weights require a longer hospitalization period postnatally than do normal birth weight babies. Morever, infants with low birth weights have a higher prevalence of developmental abnormalities such as blindness and deafness. The WIC Program appears more cost effective if these longer term costs are considered (2).

The WIC Program has also helped improve the nutritional status of infants and children. Infants and children participating in WIC have accelerated rates of growth (1), and decreased rates of anemia (1, 4).

A recent study was conducted on sibling pairs, in which one sibling group participated in WIC during the perinatal period (during the third trimester of pregnancy and at least through the first year of life), and the other participated after one year of age. Results indicated that the perinatal group showed significant enhancement of most intellectual and behavioral measures in the current home and school setting, including IQ, attention span, visual-motor synthesis, and school grade point average when compared with the group supplemented later. Of the health assessments, most trends were in the expected direction, but only height for age values were significantly different for the two groups. This is the first research to suggest that the WIC Program can improve the mental performance of participants (5).

Further, many studies in other countries have indicated that caloric supplementation during pregnancy improves birth weight and decreases neonatal mortality and morbidity (6, 10). Similarly, results from an evaluation of supplemental feeding programs for infants and preschoolers have shown that child growth is improved (11).

Data from these studies all show trends in the same direction: Neonatal outcome, hematological status and growth are improved as a result of participation in WIC. The WIC Program appears to be making a contribution to dealing with problems of inadequate nutritional status among "at-risk" pregnant women and young children--two especially vulnerable groups in the United States. However, as much of the evidence is still inconclusive, further evaluation is needed.

Additional Evaluations Underway

A contract was awarded by USDA in September 1979 for a large-scale evaluation of the WIC Program. It is scheduled to be completed in May 1984. The objectives of this study are to:

- identify the major kinds of WIC Programs in operation;
- determine the sensitivity, reliability, and validity of potential measures of program effects;
- assess the health and nutrition effects of WIC on participants at selected sites; and

- plan future studies to assess the effects of WIC nationally on the health and nutritional status of participants.

USDA also sponsored a major evaluation of the CSFP, which was recently completed. The purpose of the evaluation was to determine the nature and degree of local CSFP project variations; assess the health and nutrition impact of CSFP on participants; determine the administrative costs associated with delivery of CSFP in all State and local agencies; and determine sources of funds and in-kind contributions provided to State and local levels. The final report has not yet been submitted to USDA.

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Current Recommendations

I Funding

1. Future Funding

Recommendation: The Council reaffirms that recommendation originally set forth in its 1980 Report to the President and the Congress, that funding the WIC and CSF Programs be sufficient to allow the programs to serve at least 50 percent of the Nation's potentially eligible population by Fiscal Year 1985.

Background: The Council continues to be concerned about the many nutritionally-at-risk, low-income pregnant and breastfeeding women, infants and young children who are not participating in WIC or CSFP because of inadequate program funding.

With current funding levels, most local programs are unable to serve all eligible persons. Further, many participants who relocate find that programs in the new area are unable to serve them since the programs are already serving the maximum caseload that their funds allow.

Based on poverty data, there may be at least 8.9* million women, infants, and children in our Nation that would qualify for the programs. Preliminary reports show that as of September 1982, WIC was serving approximately 2.4 million participants, while CSFP was serving approximately 135,000.

At the anticipated appropriation levels for Fiscal Year 1983 and with increasing food costs, neither WIC nor CSFP will be able to reach more potential eligibles in the next year.

Therefore, a funding increase for both programs is necessary to serve a higher percentage of the potentially eligible national population.

The Council believes these programs are cost effective and, in the long run, save taxpayers' dollars. Adequate Federal dollars budgeted to ensure the health of our Nation's young are therefore appropriately invested in these programs. Consequently, the Council recommends that these two programs receive sufficient funding to enable them to serve at least 50 percent of the potential eligible population.

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* The WIC income eligibility standard is based on 185 percent of the poverty guidelines. CSFP income eligibility is based on various standards for benefits under existing Federal, State, or local food, health, or welfare programs for low-income persons. The 8.9 million potential eligible population is an estimate based on data derived from the 1975 Survey of Income and Education issued by the U.S. Census Bureau, since it is based on 200 percent poverty level figures. The breakdown for the potential eligible population is as follows:

1,494,861	Infants
1,422,655	Children (1-2)
1,337,971	(2-3)
1,315,632	(3-4)
1,309,616	(4-5)
1,227,184	Pregnant Women
792,081	Postpartum Women
8,900,000	

II Certification Procedures

1. Develop a Standard Verification of Certification Form for Use Nationwide

Recommendation: The Council recommends that USDA develop one Verification of Certification (VOC) form for issuance to every WIC and CSFP participant who intends to relocate during the certification period.

Background: Migrants and other WIC and CSF participants may move from the service area of one local agency to another and/or change their place of residence. A document is necessary to ensure an easy and orderly transition to services of either program at the next place of residence without duplicating enrollment or certification already in force, and to prevent duplicate distribution of food benefits.

Several years ago USDA developed a "model" VOC card which, until recently, has been distributed in bulk to State agencies upon request. In addition, States have always been allowed the option of designing their own cards. Two problems in the usage of these VOC cards have been identified. First, the USDA card and many others developed by States do not have a space to account for the provision of food packages. Thus, a transferring participant could potentially obtain more than one food package in a month. Second, it is often difficult to interpret important nutritional risk information, as written on the participant's card, as local agencies use different internal codes.

In June 1982, USDA developed three prototype VOC/Identification Cards for possible use by States. These prototypes require more extensive participant information than the previous USDA model VOC card. The Council reviewed these suggested prototypes and recommends that USDA develop one standard, mandatory VOC card which would be provided to migrants and other transferring participants. The Council further recommends that USDA obtain input from WIC and CSFP State agencies in developing content for this standard card. The information required should include, at a minimum:

Originating Local Agency:	Name Address, Telephone Number Clinic/Distribution Site
Participant Information:	Name Patient ID Number and/or Social Security Number Last Address Date of Birth Category (pregnant, breastfeeding, postpartum, infant, child)

Primary Risk Factor(s):________________________

Special Food Needs (Individual Tailoring Needed):________

Last Certification Date of Participant:________________

Last Voucher or Food Issuance Date:___________________

Agency:____________________ Date:____________

Agency:____________________ Date:____________

Agency:____________________ Date:____________

2. Revise Method of Calculating WIC Program Income Eligibility for Pregnant Women

Recommendation: The Council recommends that a pregnant woman at nutritional risk be counted as two persons in establishing family size for income eligibility.

Background:

Public Law 95-627 states that "Congress finds that substantial numbers of pregnant, postpartum and breastfeeding women, infants and young children from families with inadequate income are at special risk with respect to their physical and mental health by reason of inadequate nutrition or health care, or both." Thus, the purpose of the WIC Program is to provide supplemental foods and nutrition education to this target population during periods of critical growth and development.

The dietary supplementation provided to pregnant women through WIC produces positive and significant changes in birth weight and reduces adverse outcomes of pregnancy. Further, there is evidence that the longer they participate in WIC, the greater the effect on improved birth weight. Therefore, the sooner high risk pregnant women can be provided with health and nutrition services, the better the chances of improving the outcome of pregnancy. Intervention is most cost effective when provided during pregnancy.

Current WIC regulations specify that for the purpose of calculating income eligibility, a pregnant woman is only counted as one person. The Council believes this policy deprives a pregnant woman of WIC benefits for which she would become income eligible after her baby is born. This is inconsistent with known medical and nutritional recommendations emphasizing the importance of prenatal care. Implementation of this recommendation would also target benefits to pregnant women and infants who categorically are determined to be at the highest nutritional risk. This determination would not affect the number of food packages to be received by the pregnant woman, but would extend the income eligibility margin for pregnant women.

3. Simplify the WIC Participant Priority System

Recommendation:

The Council recommends revising the WIC regulations to simplify the participant priority system. In order to assign appointments for screening, pregnant and breastfeeding women and infants would be the first priority, followed by children. In order to determine who should be enrolled, States would determine their own priority systems.

Background:

Due to limited funding, not all eligible persons can be enrolled in the WIC Program. Therefore since 1977, WIC regulations have specified a participant priority system to determine which applicants will be enrolled when a local agency has reached its maximum participation level. The current system uses two primary factors to assign a priority level, as determined by a health professional: (1) category of participants (e.g., pregnant woman or child); and (2) type of nutritional risk (detected by anthropometric/hematological/medical tests or by dietary assessments). States may establish sub-priorities within the system, based on income or other criteria. Participants must be drawn from a waiting list in order of priority. The current priority system is defined in Section 246.7(d)(3) of the WIC regulations, as follows:

I. Pregnant and breastfeeding women and infants at nutritional risk as demonstrated by anthropometric or hematological assessments or by related medical conditions, such as high risk pregnancy.

II. Infants, under 6 months of age, of women who were on the WIC Program during pregnancy or had Priority I conditions during pregnancy.

III. Children at nutritional risk as demonstrated by anthropometric or hematological assessments or by related medical conditions.

IV. Pregnant and breastfeeding women and infants at nutritional risk due to inadequate dietary patterns.

V. Children at nutritional risk due to inadequate dietary patterns.

VI. Postpartum women at nutritional risk.

The priority system was developed at a time when waiting lists were relatively short. As WIC Program funding has become tighter, problems in the priority system have been reported by WIC administrators. There are two major criticisms of the priority system. First, it can be difficult and costly to administer because of the extensive amount of screening, including blood testing, which is necessary to determine the priority levels of applicants.

Because of a shortage of clinic time it is not always possible to provide prompt screening appointments for all applicants. This problem is compounded because all pregnant and breastfeeding women, infants, and children must be screened in order to assign priority levels I through V. In order to determine if a Priority IV woman can be enrolled, the local agency must also know how many Priority III children have applied. This entails measuring the children's heights, weights and hematocrits/hemoglobins and determining if they meet Priority III guidelines. This creates an administrative burden for local agencies. Second, State agencies should have more flexibility in deciding who should be enrolled. For example, under the current system, teenage nonbreastfeeding postpartum women are in the lowest priority. Some State agencies would like to give these participants a higher priority level because of the poor pregnancy outcomes and short interconceptual period common among teenage mothers. They believe that postpartum supplementation would aid pregnancy outcome in subsequent pregnancies.

The Council recommends adoption of a simplified priority system for determining screening appointments, in which women (pregnant, breastfeeding and postpartum) and infants are Priority I and children are Priority II. Local health professionals would then select participants for enrollment based on a State-developed priority system.

This system would reduce administrative burdens by establishing a more expedient appointment allocation. It would allow all women and infants who are most in need of nutrition supplementation to be given screening appointments prior to children. However, a separate State priority system could be developed for use in actual enrollment. Such a State-developed priority system should establish special health/nutrition conditions that would qualify women, infants and children for Priority I status enrollment. Additional priorities would be established for persons lacking these special characteristics, but eligible for the program due to less serious health/nutrition conditions specified by the State. This could allow a very malnourished child to be enrolled prior to a woman with dietary inadequacies, depending on how the enrollment priority system is established. The adoption of this recommendation would provide States flexibility in establishing screening and enrollment priorities.

4. Increase the Number of Pregnant Women in Overall WIC and CSFP Enrollment

Recommendation: USDA and State agencies should seek ways to increase the number of pregnant women served in WIC and CSFP as this target group is at highest risk.

Background: A major goal of the WIC and CSF Programs is to decrease adverse outcomes of pregnancy resulting from inadequate nutrition or health care. Therefore, the Council is concerned that enrollment of pregnant women in these programs is proportionately low compared to that of children, and recommends that USDA develop strategies to increase the number of pregnant women participants.

There are several ways these programs could reach more pregnant women and outreach is the primary means of doing so. DHHS needs to ensure that State and local health and welfare program administrators are aware of the programs, their eligibility criteria and benefits, and, that the administrators disseminate appropriate information to health and welfare staff throughout the State. This knowledge will facilitate referrals to WIC and CSFP and coordination with DHHS activities at the State and local level.

WIC and CSFP State agencies should examine their outreach plans to determine if outreach is sufficiently effective. In particular, State and local agencies should examine the manner and frequency of notification they use to inform low-income pregnant women that the programs are available. In addition, USDA may need to more closely monitor the actual outreach activities being conducted by State agencies.

Periodic updates on the programs provided to physicians and other health professionals as the Council suggests in Recommendation VI could also result in more outreach to pregnant women. Redesigning the priority system to place all pregnant women in Priority I could also make it easier to bring more pregnant women into the programs.

III Nutrition Education

1. Identify Effective Nutrition Education Techniques and Materials

Recommendation: USDA, working closely with DHHS, should identify effective nutrition education techniques and materials resulting from pilot projects. These Departments should also investigate methods of developing, reproducing, and disseminating publications through public and private resources.

Background: Since nutrition education is a vital component of the WIC and CSF Programs, it is essential that USDA and DHHS identify effective nutrition education materials and techniques that are available. Many such materials and techniques have been developed by demonstration projects, the Nutrition Education and Training (NET) Program of USDA, the Maternal and Child Health Programs of DHHS, or by other programs, agencies, and professional organizations. A sharing of such information would reduce duplication of effort and costs.

The joint USDA-DHHS Nutrition Education Advisory Committee for Maternal and Child Nutrition Publications, which was established in October 1980, could assist in this effort. Its purpose is to promote a joint effort between the two Departments on educational materials related to maternal and child nutrition in order to assure consistency of content, avoid duplication and make more effective use of resources.

The Council believes the joint committee could prove invaluable in identifying effective nutrition education techniques and materials resulting from pilot projects and State activities. In the past several years, USDA has awarded substantial grant funds for the support of innovative pilot nutrition education projects through programs such as WIC and the NET Program. Likewise DHHS has supported a significant number of nutrition activities particularly targeted at high risk mothers and children. Nutrition educators and health professionals should be made aware of techniques and materials which are proven effective in such projects to avoid duplication of effort and expense.

Further, in the current times of limited resources, it seems critical that a coordination of effort by USDA and DHHS should be expanded to investigate methods for development, reproduction, and dissemination of materials through public and private resources. One step in this direction is their involvement in the current "Healthy Mothers, Healthy Babies" campaign, the goal of which is to improve maternal and infant health during the 1980's. The campaign is being implemented by a coalition of over 54 professional, voluntary, and government organizations with a common interest in prenatal and infant health. The purpose of the coalition is to foster public education efforts for pregnant women through collaborative activities and sharing of information and resources. Having thus laid the groundwork for utilizing private and public fund-sources in this initiative, the Council believes that USDA and DHHS should continue to investigate methods for such support.

In the past, publications developed by the Federal government have been made available at no cost. The present trend is to provide prototypes or camera-ready materials of publications to State and local agencies. The Council also recommends that this practice be investigated to ascertain whether or not State and local agencies have funds to reproduce these nutrition education publications.

2. Revise Requirements for WIC Nutrition Education Contacts with Participants

Recommendation: The Council supports a 1981 WIC Regulatory Review Task Force* recommendation that WIC Program regulations concerning nutrition education be slightly revised. The regulations should continue to require that participants receive two nutrition education contacts per certification period; however, the regulations should suggest and not stipulate the type of contact and content for the nutrition instruction at these contacts. Other current nutrition education requirements should be retained.

Background: WIC legislation lists the provision of nutrition education to participants as one of the primary purposes of the program. Further, the Secretary is required to prescribe standards to ensure that adequate nutrition education services are provided to participants. The Council endorses nutrition education as an important component of the program.

In 1978, an Advisory Panel**on nutrition education convened to develop recommendations for regulatory requirements on nutrition education. In implementing the legislative mandate and considering the Advisory Panel recommendations, the current WIC requirements include: (1) at least one basic nutrition contact; and (2) a secondary or high risk contact, depending on need established by the local agency.

A basic contact covers such topics as the participant's nutritional risk condition and ways to achieve an adequate diet; the importance of the supplemental foods; and the importance of health care. For pregnant women, the basic contact must include encouragement to breastfeed. The secondary contact means a much more comprehensive explanation of the participant's particular nutritional needs; while the high risk contact includes the development of an individual nutrition care plan.

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* A special WIC Regulatory Review Task Force, composed of State and local program directors, was convened in August 1981 as part of USDA's initiative to deregulate its Federal programs. The purpose was to offer recommendations for regulatory changes that would increase State and local flexibility, reduce the administrative burdens and costs, and eliminate fraud, waste and abuse in the program.

**An Advisory Panel on Nutrition Education was convened in September 1978, to explore alternatives and recommend standards for nutrition education under new program legislation pending at the time (later known as Public Law 95-627). The Advisory Panel was comprised of representatives from State and local WIC agencies and several advocacy groups.

The 1981 WIC Regulatory Review Task Force's comments on the current requirements for WIC nutrition education were that specifying the types of nutrition education contacts and the required content provides little opportunity for exercising professional judgment in determining appropriate nutrition education for individuals. The Council agrees with allowing as much flexibility as possible since registered dietitians or public health nutritionists working directly with participants better understand individual needs.

3. Include Dietary Assessments as an Allowable WIC Nutrition Education Cost

Recommendation: The Council supports the WIC Regulatory Review Task Force's recommendation that the costs of dietary assessments used in certifying participants be an allowable WIC nutrition education cost.

Background: Public Law 95-627 mandates that the equivalent of one-sixth of the funds expended by each State for administrative costs shall be used for nutrition education activities. The State agency may use its administrative grant for these activities or may use other funds to conduct such activities as long as the total expenditure meets the one-sixth requirement. These nutrition education costs must be clearly delineated from other administrative costs, and expenditures are reported at the end of each fiscal year.

The WIC Program regulations restrict the costs of dietary assessments used in certification from being counted as nutrition education costs. Dietary assessments are methodologies used to obtain essential information on an individual's nutrient intake levels, sources of nutrients, food habits, preparation practices, and attitudes. Common methods include 24-hour recalls, dietary histories or food frequency checklists. The regulations allow, but are not limited to, the following items to be used to meet the one-sixth requirement: (1) salary and other costs for time spent on nutrition education consultations, or in developing nutrition education plans; (2) procuring and producing nutrition education materials; (3) training nutrition educators; (4) conducting evaluations of nutrition education; and (5) monitoring nutrition education.

The dietary assessment performed during the certification process is often used to assess the dietary practices of the participant and to determine the nutrition education needed. Frequently, nutrition education is an integral part of the dietary assessment contact. State and local program administrators claim that it is difficult or impossible to clearly distinguish between efforts that might be defined as "pure" nutrition education and "pure" certification. The inability to make this distinction surfaces as a problem in documentation of nutrition education cost. The Council believes that dietary assessment should be considered an integral part of the effort to identify nutritional needs and should be categorized as such.

The WIC Regulatory Review Task Force recognized the legitimacy of this problem area and recommended that program regulations be revised to include dietary assessment for certification purposes as an allowable nutrition education cost. The Council agrees.

IV WIC Food Package Regulations

1. Continue Ongoing Review of Regulations to Ensure Nutritional Adequacy and Support of the Dietary Guidelines

Recommendation: USDA should continue to look at the overall nutritional content of the WIC food package regulations to ensure that they meet the nutritional requirements of the program's target population and that they support the national "Dietary Guidelines."*

Background: After the WIC Program was authorized in 1972, the original WIC food packages were delineated in regulations published in July 1973. Two food packages were offered--one for infants and another for children and women. In 1977 the food package regulations were modified to include a third package for children with special dietary needs.

The most recent food package regulations--November 1980--were developed based on the recommendations of a Food Package Advisory Panel**and public comments on proposed regulations published November 1979. Regulatory changes in the food packages were made to: more accurately reflect infants' developmental needs and current pediatric feeding recommendations; correspond more closely to the recommended eating patterns for preschool children; meet the special nutritional requirements of pregnant and breastfeeding women; encourage breastfeeding; increase the variety of food provided; and meet a legislative requirement that to the degree possible, the fat, sugar and salt content of the foods be appropriate. Food packages for the following categories of participants were specified as follows: infants 0 through 3 months; infants 4 through 12 months; children/women with special dietary needs; children 1 to 5 years; pregnant and breastfeeding women; and nonbreastfeeding postpartum women.

Within the Federal guidelines, State and local agencies have flexibility in prescribing WIC food packages. State and local agencies are encouraged to tailor the food packages to meet the nutritional needs of their participants.

Recently, USDA has been considering allowing the State agencies even greater flexibility to adjust food packages in accordance with their own nutrition policies. The Council favors State flexibility and a reduction in the paperwork burden for agencies administering the WIC Program. However, the Council is concerned that extensive deregulation in the area of food packages could affect the overall nutritional integrity of the food package and could have an adverse impact on the program.

The Council recommends that USDA continue to regulate the WIC food packages and continue to set nutritional standards that support the national "Dietary Guidelines." The Council also recommends an ongoing review of these regulations by the Department to ensure that they continue to meet current recommended nutritional requirements for pregnant and breastfeeding women, infants and children.

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* "Nutrition and Your Health, Dietary Guidelines for Americans" was published in February 1980 through a joint effort of USDA and DHHS.

**The Department convened a Food Package Advisory Panel in October 1978 to review the WIC food packages and recommend changes. Members of the Advisory Panel included State health officials, representatives from the nutrition community and advocacy groups, and a parent participant.

V Studies/Evaluations

1. Review to Ensure Valid Analysis and Interpretation

Recommendation: Studies, including surveys, evaluation and demonstration projects and audits, of WIC and CSFP should be reviewed by qualified researchers, statisticians, epidemiologists, and other technical experts, external of government and without a special interest in these programs. This would help to ensure that the results are properly analyzed and interpreted.

Background: The results of studies, surveys, audits, and demonstration projects are often subject to biased interpretation and potential misuse and abuse. The Council recognizes that USDA and other government agencies currently employ technical experts to analyze data and present results in an objective fashion. The Council also acknowledges the generally high quality of Departmental reports. The Council is nonetheless concerned that studies may be misinterpreted or misused and believes it is important to minimize the opportunity to do so.

The Council, therefore, urges USDA and other Federal and non-Federal as well as State and local agencies studying the WIC and CSFP to submit their data to scrupulous analysis. In addition, any limitations of a particular study should be clearly specified.

2. Develop a Model for a Simplified Management Information System

Recommendation: The Council recommends that USDA make available demonstration project funds to develop, demonstrate, and evaluate a simplified management information system, which would be more cost effective than current management information systems. This should include examining the elements common with other health care reporting systems to determine if overlapping data are being collected or if data could be more efficiently used to the benefit of all health care programs.

Background: Due to increased demands on administrative funds it is essential that WIC data management systems provide participant, financial and vendor data in an economical and concise form that is readily used by program managers.

As WIC Programs have grown and matured, the reliance on automated data processing systems has increased. Systems that were designed at a time when WIC was smaller and less complex are now outdated. Many State data management systems are "pieced" together in an attempt to gather necessary data and the resulting management reports may produce fragmented information or information that is no longer helpful. However, the expense of redesigning and modifying automated systems would require a major financial outlay.

The data may need to be better related and compared to other health program data collected from State health agencies through the National Public Health Reporting System. Management reports should provide information needed on participants, expenditures and vendor activity, but should be formated to provide only essential information in as few reports as possible. The production of these reports, ranging from how the data input is obtained to how it is assembled and its cost, should be reviewed.

The development and evaluation of a streamlined data management system would provide States with a benchmark to consider when modifying their data systems.

VI Periodic Updates for Health Professionals

1. Provide Periodic Information and Updates to the Medical and Nutrition Communities

Recommendation: USDA should periodically apprise the medical and nutrition communities regarding changes in WIC and CSFP since they play a vital role in these programs.

Background: Legislation mandates that the WIC Program operate as an "adjunct to good health care." To meet this mandate, State health departments administer the program at the State level and local agencies make ongoing health services available to WIC participants. Some local agencies without directly available health services may enter into written agreements with private physicians. Competent health professionals (i.e., physicians, nurses, public health nutritionists, registered dietitians or State or local medically trained health officials) certify participants. CSFP also maintains ties to the health care system.

The integration of health care services is both preventive and remedial. Through the provision of supplemental foods, individuals who might not normally participate in ongoing health care are brought into the system.

WIC Program participants have a health care system available to them which facilitates regular health check-ups, immunizations, prenatal care and treatment for health problems. WIC operations are also coordinated with programs such as family planning, alcohol and drug abuse counseling, child abuse counseling and well child clinics.

Nutrition education in WIC and CSFP closely adheres to advice from the nutrition and medical communities, and these communities have assisted in the development of the programs' nutrition education publications.

For these reasons, the medical and nutrition communities play an integral role in the success of WIC and CSFP. Therefore, the Council believes that these health professionals should be kept apprised of program changes and recent happenings, such as regulatory changes which affect participant eligibility and food package content, as well as information about infant formula recalls, etc.

The methods for dissemination should be two-fold: (1) send information to the major national medical and nutrition professional organizations; and (2) send information to WIC and CSFP State agencies and ask them in turn to provide it to their local health agencies. The local agencies should be encouraged to inform local societies and chapters of medical and nutrition national organizations, preferably at meetings held by such organizations.

VII Administration

1. Continue to Streamline Administration and Operations

Recommendation: The Council reaffirms its 1980 recommendation that USDA should continue to analyze the purpose, value, and impact of WIC and CSFP provisions in order to eliminate excessive administrative detail. This analysis should include program regulations, administrative procedures, and legislation.

Background: While USDA has taken steps to reduce the administrative burden for WIC and CSFP operators, there is an ever increasing need to continue to reevaluate program requirements in relation to program expenditures and their impact on State agencies. This is necessary in order to reduce State agency administrative burdens and costs, streamline program operations, and provide greater flexibility in designing operational systems and procedures.

Over the years the WIC regulations have placed increased administrative requirements on State agencies. Other reasons for the administrative burdens placed on States were to ensure: (1) close Federal involvement in program operations, particularly since the funding for the program is largely Federal monies; (2) some degree of national uniformity in States' procedures for operating the WIC Program; and (3) a high level of program accountability and service to participants and potential participants.

Now that the WIC Program has been in operation for more than 8 years, there are several reasons why USDA should closely evaluate program requirements and propose regulatory changes. First, over the years States and FNS have gained extensive knowledge about systems and procedures that can be applied nationally as well as those that work best on a State-by-State basis. These systems have been improved upon through regulatory requirements or State initiatives. Therefore, with this expertise in systems and approaches, it is time to provide greater flexibility for State agencies in the further refinement of these procedures.

Secondly, current regulations in many areas address specific administrative procedures to be used to accomplish certain program objectives. These step-by-step requirements are cumbersome and limit State flexibility and creativity. Therefore, there is a need now for program regulations to be goal-oriented rather than process-oriented.

The WIC Regulatory Review Task Force in 1981 proposed various changes for regulatory relief in a variety of areas such as:

- Nutritional Risk Priority Systems
- Processing Standards
- Nutrition Education Contacts
- Public Hearings
- Infant Certification Periods
- Management Evaluations and Reviews

The Council recommends that the Department carefully consider all recommendations made by the Task Force in an effort to streamline administration and operation of the WIC Program. A careful review of the CSFP administrative requirements should also be made with a similar goal in mind.

Additional Areas of Concern to the Council

The Council wishes to document in this report several areas of concern; however, specific recommendations are not being made by the Council at this time. These areas of concern are as follows.

I Dual Operations

There are several geographical areas in which both CSFP and WIC operate. Since both programs serve a similar purpose, the Council has asked that USDA evaluate the dual operation of WIC and CSFP and report the findings to the Council at its next meeting.

When the WIC Program began, the USDA policy was not to approve the operation of WIC and CSFP in the same area. This policy was adopted because the two programs had similar goals, served essentially the same target population and provided similar benefits. In addition, the operation of both programs in the same area increased the potential for dual participation of persons in both programs. This policy was changed as a result of Public Law 95-627, which provided that the existence of a CSFP in an area should not preclude the approval of an eligible WIC local agency. Consequently, WIC Program regulations now allow WIC and CSFP to operate in the same area. State agencies that operate both programs are required to develop plans for the detection and prevention of dual participation. There are, nevertheless, advantages and disadvantages to dual operation.

Historically, WIC and CSFP have maintained strong support as separate programs, and while similar in many aspects they do provide different type services at different costs to suit the expressed wishes of local communities. CSFP is preferred by some communities because of the wider variety of foods offered and the fact that more people can be served for less administrative monies—the administrative requirements are not nearly as extensive as they are in the WIC Program; also there are fewer automated data systems, which are costly to operate, in CSFP. Many other communities prefer WIC because of the greater convenience of retail shopping and the enhanced benefits of more comprehensive nutrition education and greater access to health care. Allowing both programs to operate in an area allows more people to be served in that area and also allows persons to participate in the program of their choice.

There are major significant differences in the two programs as follows:

> Eligible Population - CSFP serves children to age 6; WIC to age 5.
>
> Eligibility Criteria - The income eligibility standards for CSFP state that persons who qualify for benefits in other Federal, State or local food, health or welfare programs for low-income persons qualify for CSFP. Under WIC, income must be no more than 185 percent of OMB's income poverty guidelines. In addition, meeting a nutritional risk criterion (anemia, high risk pregnancy, low birth weight) is optional for CSFP certification, yet mandatory for WIC.
>
> Health Benefits - CSFP local agencies have the option of making health services available to participants; WIC local agencies are required to do so.
>
> Supplemental Foods - The CSFP offers a greater variety of foods. These foods are USDA donated commodities, which are distributed through a direct distribution system—participants pick up the foods at a warehouse. WIC provides foods through three types of delivery systems: (1) retail purchase, where participants use vouchers or checks to buy foods at local retail stores authorized by the State agency to accept WIC vouchers or checks; (2) home delivery, where the food is delivered to participants' homes; and (3) direct distribution, where participants pick up the food from a warehouse.

Based on these differences, the Council is concerned that dual operation of the two programs may require two entirely different administrative structures, which could result in duplicative administrative costs in providing supplemental foods and nutrition education. This could be detrimental to the participants served by both programs through reduced services and benefits, or prevent many areas which need such a food program from being served because of a lack of funds. The Council also believes that it might be more equitable to establish a program in the unserved areas before spending funds to provide both programs in other areas.

Since neither WIC nor CSFP can meet the current extent of need, funds should be directed to the most cost-effective methods of program administration. The Council is interested in exploring this issue to determine if a recommendation should be made on this subject in a future report to the Congress. Therefore, the Council suggests that FNS evaluate and report to the Council the experiences to date of dual program operations.

II National Definition for the Term "Migrant"

Since migrants are an especially needy segment of the population, as many eligible migrants as possible should receive WIC and CSFP benefits. Therefore, the issue of whether a national definition of the term "migrant" should be established for the purpose of these programs is of concern to the Council. In its last report to Congress, the Council recommended that the Congress should legislate a definition of the term "migrant" that could be used nationwide. Federal agencies and States use a variety of definitions to establish eligibility criteria for migrants and this results in inequities and confusion.

In recognition that migrants need special assistance, Public Law 95-627 (1978) requires USDA to establish procedures under which eligible migrants may continue to participate in the WIC Program to the maximum extent feasible as they move among States. In response to this legislative mandate the WIC Program regulations contain:

(1) a provision that migrants must receive expedited services, i.e., eligible migrant applicants must receive benefits within 10 days as opposed to the 20-day limit for most applicants;

(2) a provision that if a locality in which an eligible migrant transfers has a waiting list, he/she must be placed on the list ahead of all nonmigrant applicants regardless of the priority of his/her nutritional risk; and

(3) a provision which protects migrants from being penalized through denial of benefits for not living in an area for a specified time.

To ensure continuation of benefits (supplemental foods and nutrition education) special provisions have also been made by FNS for WIC participants transferring into an area where only CSFP exists. In such instances CSFP regulations require that their local agencies accept verification of certification forms from the WIC participants, which allows automatic transfer to CSFP. If the receiving CSFP local agency has waiting lists for participation, the transferring participant must be placed on the list ahead of all waiting applicants.

However, at a National WIC and CSFP State Directors' Meeting on Program Management held in Fiscal Year 1980, workshop attendees were divided as to whether USDA should establish a national definition for "migrants." Therefore, USDA has not defined the term "migrant" in order to allow States maximum flexibility in serving this segment of the population. Particularly, USDA did not wish to establish a definition that might unintentionally exclude important groups from the migrant category. Since migrants are considered a particularly needy segment of the population, as many eligible people as possible of this population should receive program benefits, as is the intent of Public Law 95-627.

The current Council members reexamined this issue at their July 1982 meeting, since certain program areas continue to request a national definition. The Council could not, however, come to a consensus as to whether the 1980 recommendation to Congress should be reaffirmed. A vote on the issue revealed that a small majority favor a national definition. Those members who do favor a national definition suggested that the DHHS definition of "migrant agricultural worker" be adopted. The definition is as follows:

> "An individual whose principal employment is in agriculture on a seasonal basis, who has been so employed within the last 24 months, and who has established for the purpose of such employment a temporary abode."

The difference of opinion among Council members indicates that this issue is not easily resolved. It may be advantageous for USDA to again survey the WIC State agencies to determine their preference as to whether a standard definition should be established, and, if so, what it should be. USDA might also consider raising the issue in future proposed rules and ask for comments and suggestions for wording.

III Potential Eligible Population

The Council believes that it is important for USDA to be able to determine as accurately as possible how many persons are potentionally eligible for WIC and CSFP in order to assess the degree of need not met and whether resources are being allocated to those areas most in need.

In the past, USDA has used a variety of methods to determine the number of potential eligibles, depending on the purpose and data available. Usually these estimates have been based only on number of persons potentially eligible by category and income, because it is difficult to include nutritional risk data.

Not all eligible persons can participate in WIC and CSFP. Based on census data, the number of persons potentially eligible has usually been estimated at around 8 to 9 million. This suggests that the programs are serving about one quarter of those potentially eligible. Given the Council recommendation that WIC and CSFP receive funding to serve 50 percent of those potentially eligible, it would be desirable to obtain the best estimates of the number of these persons.

USDA should perform a comprehensive review of methods and data sources to derive best estimates of the potentially eligible population for the programs. Further, the data should be broken out State-by-State, if possible. USDA should also review available nutrition data and health statistics to see if it is feasible to add nutritional risk data as a criterion used to determine the number of potential eligibles.

IV WIC Certification Period for Infants

The issue of whether a change should be made in the length of the certification period for infants is of concern to the Council. Current regulations specify that infants shall be certified at intervals of 6 months. The WIC Regulatory Review Task Force reviewed this requirement. The Task Force believed this requirement has certain advantages: (1) it facilitates periodic ongoing health care; (2) provides an opportunity for nutrition education counseling; (3) eliminates keeping individuals on the program who do not meet the eligibility criteria; and (4) allows the local agency flexibility in keeping an infant on the program up to one year if "possible regression" is used as a nutritional risk criterion.

The Task Force also saw disadvantages: (1) health care programs, e.g., screening for EPSDT (Early and Periodic Screening, Diagnosis, and Treatment) and Maternal and Child Health Clinics usually have a periodicity schedule for health care based on accepted national standards. The 6-month recertification may not coincide with this schedule, thus resulting in duplication of effort; (2) the requirement can also increase administrative costs and staff time for certification; and (3) it can act as a deterrent to participation if parents of an infant find the requirement too burdensome. As a result, the Task Force recommended that infants be certified at intervals for up to 1 year.

The Council has discussed this issue, and recognizes that the 6-month requirement provides an opportunity for health professionals to review growth and assess progress. With longer periods between certification the frequency of health care for the infant may be reduced. The Council also recognizes the disadvantages as cited by the Task Force.

After thoroughly discussing this issue, the Council could not agree on whether or not it would be appropriate to change the regulation. The Council suggests that USDA explore ways to allow State health agencies more flexibility, and consider raising the issue in a future proposed rule.

Actions Taken by USDA on Previous Council Recommendations

In its December 1980 report* to the President and the Congress, the Council suggested that the recommendations in the report be considered in the administrative and legislative review of WIC and CSFP, and in the development of future regulations.

These 14 recommendations are restated as they appeared in the 1980 report. Each is accompanied with an explanation of the action USDA took to implement it. Three of the recommendations were not implemented as they were not within the purview of USDA. These three were: increasing funding for WIC and CSFP; increasing funding for health delivery resources; and legislation of a national definition for the term "migrant."

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* Printed copies of this report are no longer available.

I Funding for the Future

1. Increase Funding

Recommendation: The Council recommends that Congress increase the funding level for the WIC and CSF Programs to allow the programs to serve at least 50 percent of the Nation's eligible population by Fiscal Year 1985.

Action Taken by USDA: Congressional action was required to increase the funding levels for WIC and CSFP. Nevertheless, USDA has made every effort to ensure that available program funding is used efficiently and effectively in order to serve the greatest number of the Nation's eligible population as possible.

Over the last few years, progress has been made to reach greater numbers of potential eligibles. In Fiscal Year 1979, WIC was reaching on the average only 16.7 percent of the potential eligible population. Increased appropriation levels, extensive outreach, and improved caseload management techniques have enabled the program to reach an average of 24.6 percent in Fiscal Year 1982.

Additionally, USDA has made a concerted effort to provide technical assistance and guidance to State agencies on maximizing the use of available funds and targeting benefits to the neediest. Specific information pertaining to the use of the priority system and financial management was provided. This has had a significant impact on reducing the amount of unobligated funds and reaching greater numbers of those most nutritionally vulnerable.

USDA has also identified areas where regulatory changes could make the programs less costly to operate, while increasing the emphasis on accountability. To the extent possible, USDA will continue to ensure that benefits are targeted to those most in need of them and that the programs operate as efficiently as possible.

II The Supplemental Food Programs: An Adjunct to Health Care

1. Reduce Duplication and Improve USDA/DHHS Cooperation

Recommendation: Health service agencies and the Supplemental Food Programs (SFP refers to WIC and CSFP together) should increase efforts to share resources, coordinate services, and avoid duplication of assessment procedures and clinic records. This would ensure more effective use of resources and improve services to participants. USDA and DHHS should work together more closely at the Federal level to review policies and standards, procedures for certification, recordkeeping and reporting requirements, and cost sharing of personnel and other resources. USDA and DHHS should jointly develop and fund models, which could be replicated in other areas of the Nation, for this coordinated effort in at least three States or localities by Fiscal Year 1982.

Action Taken by USDA: USDA and DHHS staff have met to discuss ways to improve administrative coordination and to eliminate duplication of effort between WIC and other health programs in DHHS, at the State and local levels. Both Departments recognize it would be more cost effective if the programs coordinate their services, share staff and equipment, and eliminate or reduce duplication of tasks such as eligibility screening, certification, and recordkeeping to the extent feasible.

Due to funding limitations in Fiscal Year 1982, USDA and DHHS were unable to develop and fund models for a coordinated effort, as they had hoped. The models would have tested and evaluated systems to integrate services of WIC and CSFP with health programs administered by the Public Health Service. USDA will reconsider part of this Council recommendation should funds become available.

However, several efforts are ongoing to provide greater coordination between USDA and DHHS programs. A joint USDA/DHHS Nutrition Education Advisory Committee for Maternal and Child Nutrition Publications has been formed and has been meeting on a regular basis. The purpose of this advisory group is to establish a coordinated effort on developing and disseminating publications dealing with maternal and child health to reduce costs and duplication of effort. The initial product in this joint effort was a nutrition education resource packet that focused on the pregnant teenager. The committee is currently working with the private and voluntary sector to promote breastfeeding through a variety of activities across the country. The two Departments are also closely cooperating in an extensive "Healthy Mothers, Healthy Babies" campaign to improve maternal and infant health during the 1980's.

Further, an effort has been made to share regulations at an early stage between Departments. Both USDA and DHHS have undergone a regulatory review, and have agreed to share impact and issue papers resulting from these reviews. The two Departments also share similar, more informal activities relative to mutual concerns such as evaluation methodology and study design and results as the occasion arises.

2. Increase Health Resources

Recommendation:

The rapid expansion of the SFP has exceeded the capacity of health care programs in many areas of the Nation. Therefore, Congress should provide significant increases in authorizations and appropriations for health care programs, serving mothers and children, that are administered by DHHS' Public Health Service (e.g., Social Security Act, Title V; and Public Health Service Act, Sections 330 and 319).

Action Taken by USDA:

Authorizations and appropriations for health care programs administered by DHHS must be established by Congressional mandate. Therefore, USDA could not take action to implement this recommendation.

It is widely recognized that the Supplemental Food Programs, particularly WIC, have evolved as important components of preventive health services that include prenatal and child health care, family planning, nutrition, immunization, dental health and fluoridation, and others. WIC, in fact, is the first nationwide food and nutrition program that operates as an adjunct to health care. CSFP, to some extent, has established the same ties. WIC and CSFP and DHHS programs can work well together, but they need adequate resources--particularly in the area of maternal (prenatal) and child health services.

3. Improve WIC-Indian Health Service (IHS) Relationships

Recommendation:

USDA at the national and regional levels should work more closely with IHS to assure that Native Americans and Alaskan Natives receive WIC benefits as an adjunct to the health services provided by IHS.

Action Taken by USDA:

In an effort to better integrate WIC and IHS services at the national, area/regional and local levels, USDA and DHHS have been working on a Joint Statement of Cooperation between the Supplemental Food Programs and the Indian Health Service. This Joint Statement of Cooperation at the national level will provide for coordination of services in such a way as to share resources, avoid duplication of procedures and records, and enhance benefits to participants. The document expresses the two Federal agencies' objectives to work together more closely to review policies, standards and procedures for certification, recordkeeping requirements, and statistical reporting.

Additionally, two administrative tools have been developed to better integrate WIC and IHS. First, a prototype joint WIC-IHS certification form was developed by WIC Indian State agencies in New Mexico and IHS with the assistance of the FNS Regional Office for that area. The certification form has been successfully used for almost 2 years by the New Mexico Indian State agencies that still have manual food delivery systems.

The second tool is a prototype for a "Memorandum of Agreement" for use between an area's IHS and a tribal agency operating a WIC Program. In September 1980, USDA awarded a grant to the All Indian Pueblo Council, Inc., Albuquerque, New Mexico. They were to develop an Indian WIC Agency Management Model to be used as a guide in either improving existing programs or starting a new agency. The model is in the form of a training manual, and provides guidance on areas such as a State Plan, a financial management system, a personnel management system, and a project evaluation system. The prototype "Memorandum of Agreement" was included as part of the manual. The agreement addresses such activities as referring participants to IHS clinics for health assessments and other essential health services, coordinating the scheduling of participants, orienting WIC and IHS staff to program policies, sharing information, and coordinating nutrition education. Such local level agreements have been implemented in Arizona, Oklahoma, Montana, Oregon, New Mexico, and North and South Dakota. FNS will make the manual available to all interested Indian WIC State agencies in early 1983.

III Nutrition Education in the Supplemental Food Programs

1. Continue Nutrition Education Emphasis

Recommendation:

The Council endorses Congress' commitment to nutrition education as an important component of the SFP. However, requiring WIC State agencies to set aside one-sixth of their administrative funds for nutrition education creates an administrative burden. Congress should request that USDA explore alternative methods that would ensure sufficient quantity and quality of nutrition education in WIC.

Action Taken by USDA:

By emphasizing the relationship between proper nutrition and good health, the Supplemental Food Programs assist individuals who are at nutritional risk in achieving a positive change in food habits. The emphasis on nutrition education in WIC and CSFP is being continued. However, in line with the Council's recommendation, USDA has reduced the reporting burden for State agencies by modifying the way in which nutrition education expenditures must be reported. The new reporting procedure makes it easier for States and USDA to keep track of funds being spent on nutrition education.

In addition, steps have been taken to improve the quality and effectiveness of the nutrition education. USDA has increased its technical assistance to States and local agencies on techniques for delivering nutrition education, as well as on specific topics such as promoting breastfeeding and working with the pregnant teenager, which are joint efforts with DHHS.

Various guidance materials that are available include:

- Reaching Out to the Pregnant Teenager

  This is a packet of resource materials coordinated through a joint effort involving USDA, DHHS and the March of Dimes Birth Defects Foundation. Contents include:

  - "Working with the Pregnant Teenager: A Guide for Nutrition Educators" (PA-1303)
  - "Two display posters: "Why Not Deliver Your Best" (PA-1305) and "Eat Well for You and Your Baby" (PA-1304)
  - March of Dimes Pamphlets:
    - Teaching Poster: "How a Baby Grows"
    - "Food and Pregnancy"
    - "Recipe for Healthy Babies"
    - "Drugs, Alcohol, and Tobacco Abuse During Pregnancy"
    - "Pregnant? Before You Drink, Think"
    - "Junk Food Blues" comic book
  - DHHS booklet "Food for the Teenager During Pregnancy"

- Nutrition Education Resource Guide

  This contains annotated references to educational materials developed by a variety of sources on maternal, infant and child nutrition, and where such materials may be obtained. Topics include breastfeeding, feeding infants and young children, and good nutrition during pregnancy.

- The Idea Book: Sharing Nutrition Education Experiences (FNS-234)

  The "Idea Book" incorporates sample methods and materials that have proved successful by various State and local agencies that administer the WIC Program.

USDA funded demonstration projects for nutrition education in the SFP that were carried out in Fiscal Years 1980 and 1981. One project developed a professional training program for WIC nutritionists and paraprofessionals; two additional projects tested the feasibility and effectiveness of in-store nutrition education programs for WIC participants; and a fourth project developed a nutrition education model stressing innovative instructional techniques.

USDA also awarded three grants to conduct projects on breastfeeding education. Through one grant breastfeeding education curricula, training manuals, teaching materials, and methods specifically for use in WIC and CSFP projects were developed and evaluated. Through the second grant, an Indian health agency at the local level developed a breastfeeding education network with six other health-related agencies on a reservation. The goal of this project was to increase the incidence of breastfeeding through a coordinated team approach. Finally, the third grant compared the effect of three levels of intensity of breastfeeding education. Results from these projects have been useful in identifying barriers to breastfeeding, and in developing or improving breastfeeding education programs.

Summaries of the final reports of all demonstration projects are being made available to WIC and CSFP State agencies.

2. Tailor Nutrition Education for Various Cultural Groups

Recommendation: USDA and State agencies must give attention to the ethnic groups and lifestyles of participants when developing and implementing nutrition education programs and materials. An effort must be made to tailor these programs for Native Americans, Hispanics, Asian refugees, migrants, and other specialized populations.

Action Taken by USDA:

WIC Program regulations require that State and local agencies consider different cultural and language needs of program participants in the design of nutrition education components. To assist in this effort, the Department has taken various actions.

To meet the cultural needs of Native Americans, USDA funded a Papago Nutrition Improvement Program demonstration project to develop nutrition education materials that reflect Indian culture. WIC Indian State agencies and IHS have developed nutrition education materials for use with specific tribal groups in New Mexico, Idaho, Oregon, Washington and Oklahoma. The "Nutrition Education Resource Guide" previously discussed in this report identifies materials (printed films and audio-visuals) specific to Native Americans. It also identifies materials available in languages other than English, including Spanish and Southeast Asian languages. Nutrition education materials for the Southeast Asian population were developed under a demonstration project funded by USDA. The project provided more accessible, comprehensible and acceptable WIC Program services to Indo-Chinese refugees. Some of the visual aids and other educational tools developed illustrate the proper selection of WIC Program foods and nutrition education concepts without using printed words. A very popular WIC publication that is available in both English and Spanish is "How WIC Helps." It is designed for pregnant and breastfeeding women participants. It describes WIC foods available to them, discusses the major nutrients provided by the foods and how the body uses these nutrients, and suggests the amounts of the four basic food groups that should be consumed each day.

IV Administration of the Supplemental Food Programs

1. Streamline Administration and Operation

Recommendation:

USDA should analyze the purpose, value, and impact of the various administrative provisions, not only in the procedures and regulations but also in the legislation, to eliminate excess administrative detail. A Federal/State/local task force should be established to develop specific recommendations based on the analysis.

Action Taken by USDA:

As part of USDA's initiatives to deregulate Federal programs, a WIC Regulatory Review Task Force, composed of State and local agency program directors, was convened in August 1981. The Task Force offered proposals that are directed to increasing State and local flexibility, reducing program administration, reducing program costs, and eliminating fraud, waste and abuse. USDA plans to issue new proposed regulations primarily based on the Task Force's proposals. Areas specifically affected are: certification, nutrition education, and management evaluations and reviews.

In addition, there have been other forums, including a July 1982 National Advisory Council Meeting, at which USDA has gathered advice on WIC and CSFP deregulation. Currently, USDA is preparing a proposed rule that will be published for public comment in early 1983.

Also, a new WIC Program Financial and Program Reporting System has been implemented. A joint State/Federal task force developed the system to provide data to more affectively manage WIC Program funds and caseload. State agencies use the data provided on the new report to help administer their grant funds. States and FNS also use the data to monitor the financial integrity of the grant, control caseload, and ensure program compliance. The improved accuracy and timeliness of the data is enabling the State agencies and FNS to be accurately responsive to changing financial needs. Because the new report deletes certain data items previously collected that had proved to be unnecessary for effective management, FNS estimates that the data reporting burdens of State agencies are reduced considerably. In addition, FNS has implemented a new automated management report using the State-submitted data. This management report represents easily referenced information on such items as State agencies' program fund balances, participation trends, spending patterns, and accuracy of obligation estimates.

Since 1980, FNS has also undertaken a number of initiatives to improve State agency systems of accountability from the issuance of a food instrument to a participant to the payment of a vendor for WIC foods. For example, 15 WIC State agencies were awarded grants to conduct projects designed to enhance accountability systems. Another grant was awarded to examine State WIC vendor monitoring activities to improve and streamline this phase of program administration.

In CSFP, USDA revised the funding formula for administrative grants to provide States with a more stable allocation. Also, the CSFP monthly reporting form, FNS-153, was revised. This form is used to report the total number of units of each commodity food item that the local agency distributed during the month to each category of participants. The revised form now includes preprinted commodity names and codes that lessen the reporting burden. Certain information that FNS previously required was also deleted from the new form. The revised form facilitates a more accurate account of commodity transactions. It also enables a one-to-one reconciliation of commodity food items and prevents possible overissuances of food items (amounts in excess of those in the authorized food packages) and consequently reduces waste and program costs.

In its 1980 report, the Council expressed concern about the new administrative funding procedure for CSFP State agencies. The concern was as follows: "At the beginning of each fiscal year, States are advised of the projected amount of their administrative funds for the year. However, the grants are allocated on a quarterly basis. If the State agency is not meeting projected expenditures, such as when the number of participants served by a State agency decreases, there is the possibility that up to 25 percent of the funds will be recovered and redistributed to new State agencies or to State agencies with increasing caseloads."

CSFP administrators were concerned about this method of recovering funds. One quarter's participation level may not reflect levels of participation for the remaining quarters. Due to the States' concern, USDA has not taken steps to initiate recovery of funds, especially since the administrative grant does not cover all costs. State and local agencies still rely heavily on support from other community sources to carry out the administration of the program.

2. Increase Technical Assistance for CSFP and WIC

Recommendation: USDA should review the administration and operation of the CSF and WIC Programs to assure that both programs receive adequate technical assistance.

Action Taken by USDA: USDA has accelerated efforts to provide technical assistance to WIC and CSFP administrators. Although some of these efforts are mentioned elsewhere in this report, they are again cited in the following list of technical assistance activities:

WIC

• Food Delivery Improvement Projects

Fifteen State agencies participating in the WIC Program we awarded grants in 1981 for use in conducting special short term projects to improve their current food delivery syste operations. Funds were used for the following types of ac ities: modification of automated data processing (ADP) ha ware/software, training of State agency staff in the effec use of ADP reports, preparation of ADP users' manuals, and development of management procedures that provide control accountability of all facets of the food delivery system. purpose of the projects is to effect greater accountabilit in the program, as well as more cost-effective operation. Information on the improvements implemented under all of t 15 projects will be sent to the other WIC State agencies.

• Food Delivery Systems Library

This library was developed to provide basic information on State agency systems, both manual and automated. The libr consists of the following resources: (1) Food Delivery Systems Grid that presents in chart form the features of e State's system; (2) General Summary of Food Delivery Costs that presents in chart form the cost of each State's syste (3) Food Delivery Profiles that contain both a questionnai and narrative summary of each State's system; and (4) Food Delivery Summaries that present a narrative summary in laymen's terms of each State's system.

Copies of the library for State agencies' use will be available in the seven FNS regional offices. State agencie interested in automating or enhancing their existing syste will be able to use this resource to identify and communica with other States that have similar program applications. The library will be updated periodically to ensure that systems information is current.

• Vendor Monitoring Project

A grant was awarded by the Department to carry out a demonstration project to study vendor monitoring. The purp of this study was to examine WIC Program vendor monitoring activities in the States to determine the modifications nec sary to improve vendor monitoring performance, and to desig new methods for use in various State settings. The study consisted of indepth reviews of the vendor monitoring syste in Nebraska, Maryland, California, Tennessee, Connecticut a West Virginia. The study found that poor price estimation data, the miscategorization of vendors, the misapplication parameters and the lack of vendor specificity precluded Sta from effectively monitoring vendors. It also revealed that was not possible to develop a single model monitoring syste The study identified the best practices available to States. States can review these practices and adapt the methods most suited to their needs.

• WIC Program Financial and Program Reporting System

A system was initiated to more effectively manage program funds and caseload. The improved accuracy and timeliness of the data provided on the new report enables the States and USDA to be accurately responsive to ever-changing financial needs. A new automated management report using State-submitted data has also been implemented and provides information that is easily referenced on such data as State agencies' program funds, spending patterns, and participatio trends.

- Videotape

  A videotape on the WIC Food Delivery Systems Regulations was developed to train State agency personnel on the background, key provisions, and implementation options arising from the new regulations and of FNS resources to help them. The FNS Western Regional Office produced a videotape on vendor monitoring, "And Justice For All," featuring the California compliance system. Plans are underway for the production of other cost-effective training and technical assistance vehicles.

- Electronic Funds Transfer

  A modification of the WIC Letter-of-Credit system was instituted to transfer-by-wire funds through specified banks This electronic funds transfer provides same day delivery of funds.

- Other general initiatives concerning technical assistance include:

  - emphasis on food delivery systems during State agency management evaluations;
  - issuance of instructions on advance planning documents required for the purchase of automated data processin systems;
  - efforts to assure appropriate administrative spending, such as State agency expenditure plans prepared for t April 1982 reallocation of funds; and
  - financial management evaluation guidance.

CSFP

- Food Ordering Guidance

  USDA has gathered information on techniques used to estimate CSFP food orders and developed methods for projecting food needs. These methods are outlined in a CSFP Food Ordering Guidance packet that was distributed for use as a management tool to address the problems of inventory management in CSFP

- Improved Management Reports

  Major efforts to computerize CSFP report data are yielding a better data base upon which to detect problems and make management decisions. The resulting improved management reports will more accurately pinpoint inventory problems, improve monitoring, refine caseload management, and better manage expenditures.

- CSFP Procedures Guidance

  This technical assistance effort will describe effective operational methods and procedures on selected program areas such as inventory control, food storage and caseload management. This "best practices" guidance can be adapted by States to meet their own unique needs and procedures.

In addition, FNS initiated or developed many technical assistance materials over the past 2 years to assist WIC and CSFP State and local agencies improve their services to participants. A "Resource Guide on Nutrition Education Materials" will assist program operators in identifying suitable print and audio-visual materials. A resource packet developed jointly by USDA and DHHS and the March of Dimes Birth Defects Foundation—"Reaching Out to the Pregnant Teenager"—is useful to nutrition educators in tailoring their programs to this special audience. The package includes posters on fetal growth, health and nutrition and materials on good nutrition during pregnancy. A brochure "Do You Care?" (FNS-192) educates the medical community to the benefits of the Supplemental Food Programs. A general informational brochure "Supplemental Food Programs of the U.S. Department of Agriculture" (FNS-235) describes the programs for the general populace. Two nutrition education tools published in 1981 were the revised "How WIC Helps" (PA-1198) and the new "What Shall I Feed My Baby" (PA-1281), the first on maternal nutrition and the second on infant nutrition. An "Idea Book" (FNS-234) is an information sharing document on nutrition education techniques being utilized in the various State and local agencies administering the WIC Program.

V Improving WIC's Food Delivery Systems

1. Simplify Procedures for Vendors

Recommendation: USDA should encourage State and local agencies to simplify administrative procedures for reimbursing vendors. USDA should also develop model programs and provide technical assistance.

Action Taken by USDA: New Food Delivery Regulations, issued in May 1982, effective in May 1983, made strides in improving program management. These regulations require States to develop comprehensive vendor training, review, and sanctioning systems. They must also assess the effectiveness of these systems in resolving problems, and continuously improve and refine the monitoring process.

Further, these regulations encourage States to refine their food delivery systems so that all involved parties, including vendors, understand their roles and responsibilities. Improved understanding of the food delivery process, coupled with increased training efforts, will help ensure vendor compliance with regulations and an expeditious payment system.

USDA is also helping vendors through efforts to educate WIC participants. A brochure "Making WIC Work for You: Your Rights and Responsibilities" (PA-1300) is designed to help participants understand their roles and responsibilities in helping both the vendor and State and local agencies achieve optimal accountability of the food delivery system. It also describes how to use WIC food instruments. A publication for vendors entitled "WIC's Guide for Retailers" (PA-1234) provides specific "Dos and Don'ts" for cashiers about handling WIC foods and vouchers at the check-out counter. This publication was initially distributed in 1979 and continues to be a very popular form of technical assistance for vendors.

Additional actions are described in the following section on evaluating WIC retail delivery systems, which contribute to simplifying procedures for vendors.

2. Evaluate States' WIC Retail Delivery Systems

Recommendation: Congress should provide the funds necessary for USDA to contract with a private firm to conduct a national evaluation of States' WIC retail delivery systems. This evaluation should employ sound methodology and should focus on:

- problems in operating the retail delivery systems;
- identifying well-managed retail delivery systems that could serve as national models; and
- methods for participants to help monitor retailers.

Action Taken by USDA: USDA funded various grants to evaluate and improve food delivery systems. The purpose of one grant was to determine where modifications were necessary to improve vendor monitoring, to design new methods to use in various State settings, to detect characteristics of high-risk vendors, and to offer technical advice to States on the management of these systems, including fraud detection. As a result of this grant, a State agency "best practices" guide was developed and has been made available to all State agencies. Additionally, USDA has awarded special grants to 15 States to assist in improving automated accountability systems and to increase their capabilities of detecting inaccuracies. Further, one of the grants will involve a review of vendor monitoring procedures used by nine State agencies to develop an analysis of cost-effective operations.

A Food Delivery Systems Library was developed to provide a detailed profile that identifies the characteristics and costs of each State's accountability system. This data base, which FNS will update periodically, serves as an analytical tool to assess effectiveness. State agencies or regions may use this resource to identify and communicate with other States or share expertise and experiences.

Additionally, a brochure entitled "Making WIC Work for You: Your Rights and Responsibilities" (PA-1300) was developed to encourage program participants to assist in monitoring retailers. The brochure points out that it is a participant's responsibility to report any unlawful action by the retailer to the local WIC Program staff.

USDA evaluated WIC food delivery systems through audits and management evaluations. These assessments found problems of accountability in certain aspects of operations. A major result of these assessments was the WIC Food Delivery Systems Regulations, issued May 28, 1982, to improve State food delivery operations and reduce potential for program abuse.

USDA also awarded a grant to examine State activities for monitoring WIC Program vendors. The purpose of the grant was to determine ways to improve monitoring performance and devise new methods suitable for a variety of settings. The study identified the "best practices" available to States. This information is being passed on to WIC State agencies.

VI WIC and CSFP Services to Migrant Farmworkers

1. Improve Services to Migrants

Recommendation:

States with migrant populations must be required to make special efforts to reach these people in areas served by the programs. The Council believes these States should explain in their State Plans how they will provide SFP services to migrants. State Plans that do not outline adequate activity should not be approved by USDA. State Plans should:

a) Provide for funding local agencies that want to serve migrants even though another agency already provides SFP services in that area. States should give priority to migrant health clinics funded by the Public Health Service and to organizations, governed by farmworkers, that provide health services.

b) Require local agencies that serve non-English-speaking migrants to hire bilingual personnel.

Action Taken by USDA:

The WIC State Agency Plan of Program Operation and Administration is required by regulations to stress providing services to migrants as follows:

Definition of Migrant

The State Plan must include the definition of migrant farmworkers used by the State agency.

Affirmative Action Plan

Each State agency must have a current Affirmative Action Plan (AAP) in order to guide selection of new or expanded local agencies. State agencies must strive to direct the use of available funds toward the neediest people in unserved or underserved areas. In developing its AAP, a State agency must consider migrant farmworker populations. To assure that migrants receive proper consideration, a State agency should use the best statistical information available for migrant farmworkers. The AAP must include an estimate of the number of migrant farmworkers who will receive WIC services during the fiscal year by each local agency and the source of the data. States that do not have migrant populations that are potentially eligible for the WIC Program must include a statement to that effect in the plan.

Outreach

The State Plan must describe action that the State and local agencies will take:

- to establish and expand outreach activities;
- to publicize the availability of program benefits, eligibility criteria, and the location of local agencies operating the program where migrants are present in significant number; and
- to coordinate with other agencies that concentrate on service to migrants.

Outreach techniques used for migrants might include outreach in migrant camps by bilingual staff members or volunteers, explaining eligibility requirements and program benefits, and certification and voucher issuance from mobile units in migrant camps.

Certification

Each State agency is required to issue written verification of certification to migrant farmworker participants or other participants likely to relocate. This certification must be accepted by local agencies operating WIC or CSFP within each State or in other States so that the person can continue to participate in the new location. The State Plan must include a copy of the Verification of Certification (VOC) card to be used.

Any special arrangements to serve migrants, such as evening clinic hours or issuance of food instruments at migrant camps, must also be included in the State Plan.

The State agency may find it helpful to have a special segment in the Procedure Manual (State agency's guidance to local agencies which also becomes part of the State Plan) on services to migrants. This could include special instructions on use of the VOC card, issuance of food or food instruments to migrant farmworkers, and procedures to follow if there is a waiting list.

Nutrition Education

Public Law 95-627 requires that nutrition education be considered as a benefit of the WIC Program and be provided to participants at no cost. To ensure implementation of this requirement, the State Plan must describe how nutrition education will be provided to participants during the fiscal year. This includes the procedures the State will use to meet the special nutrition education needs of migrant farmworkers.

Civil Rights

States must have special provisions for areas with a significant proportion of non-English or limited-English-speaking people. The State agency must ensure that the local agency provides bilingual program information orally and in writing. They must also have bilingual staff members available to serve these people. The State Plan must describe the availability of such bilingual staff members.

In addition, USDA awarded two grants for demonstration projects specifically relating to migrants and the WIC Program. The purpose of one project was to: (1) identify outreach procedures to increase migrant participation in the WIC Program; (2) recommend ways to overcome barriers and to ensure continuous migrant participation; and (3) recommend nutrition education methods that can best reach the migrant population. The project ran from January 1, 1980, through December 30, 1980. Results of the project are being made available to all State agencies.

The second project evaluated the effect of the WIC Program on migrant farmworkers and on their use of the health services in rural areas. The project operated from October 1, 1979, to September 30, 1981. Results of this project, too, are being provided to all State agencies operating the WIC Program.

2. Allocate Special Funds for Serving Migrants

Recommendation: USDA should continue to provide special allocations for States with large numbers of migrants and to monitor the services for migrants. USDA should develop a method to ensure that States with large numbers of migrants either apply for a special allocation or justify failing to do so.

Action Taken by USDA: In Fiscal Year 1980 special funds in the amount of $4,864,185 ($3,896,080 food and $968,105 administrative) were allocated to 29 State agencies to provide services to migrants. The allocation of these special funds enabled WIC State agencies to reach a cumulative total of 254,682 migrants in Fiscal Year 1980. This figure represented a 147.3 percent increase over the Fiscal Year 1979 total for cumulative migrant participation.

For Fiscal Year 1981, a total of $4,980,877 ($3,997,651 food and $983,226 administrative) was allocated to 29 State agencies to serve migrants and this special allocation became a part of the State's basic Fiscal Year 1981 funding grant. In Fiscal Year 1981, 261,502 migrants were reached. This is a 3 percent increase over Fiscal Year 1980. Approximately 205,062 migrants were reached in the first 9 months of Fiscal Year 1982. This is an 11 percent increase over the same period of time in Fiscal Year 1981.

In Fiscal Year 1982, these States' basic funding grants did not include special funds earmarked for migrants. However, funding was based on Fiscal Year 1981 participation, including migrants served. With this funding methodology, USDA believed State agencies should manage funds to ensure maximum use and continued service to migrants within funding constraints.

3. Legislate National Definition for the Term "Migrant"

Recommendation: Congress should legislate a definition of the term "migrant" that would be used nationwide. States would then have to use this definition to provide an accurate count of the migrants working in their jurisdictions.

Action Taken by USDA: A National WIC and CSFP State Directors' Meeting on Program Management was held in Albuquerque, New Mexico in December 1979. A major issue discussed during four workshops conducted on providing WIC and CSFP services to migrants was whether the definition of the term "migrant" should be adopted. State Directors were divided on the question of whether USDA should establish one standard definition for WIC and CSFP purposes. Those extremely opposed to the idea thought that to do so would reduce State flexibility. For this reason, the WIC Program Income Eligibility Regulations issued in January 1981 require that each State agency in its State Plan of Program Operation and Administration define "migrant." The State must then use this definition to provide an accurate count of the migrants working in its jurisdiction.

This issue is discussed at length under "Additional Concerns" in this report.

VII Participants' Views

1. Involve Participants

Recommendation: The Council recommends that State and local agencies actively involve WIC and CSFP participants in all aspects of the Supplemental Food Programs that affect them.

Action Taken by USDA: Legislation requires that WIC State agencies conduct hearings to enable the general public to participate in the development of State Plans of operation. In many States, participants have been invited to participate in such public hearings.

To assist State and local agencies in implementing this requirement, in February 1981, USDA issued "Guidelines for Organizing a State or Local Agency Advisory Council" for use by WIC and CSFP administrators. The general purpose of a State or local agency advisory council would be:

- to establish good communication systems in resolving State or local agency problems and improving program operations;
- to involve more people at the State or local level in policy decisions and program operations; and
- to create an open atmosphere in which Council members, participants, and observers can express their opinions.

The guidelines stress involving parent participants in such State or local advisory councils.

USDA developed a WIC Program aid "Making WIC Work For You: Your Rights and Responsibilities" (PA-1300) to assist participants in understanding their rights and responsibilities. These include the quality of food they receive, the kind of service they receive in a WIC-approved grocery store, and the care and use of their food vouchers. As part of their responsibilities as a WIC participant, they are encouraged to report any unlawful or rude treatment they may receive at the grocery store to the local WIC Program staff (participants need not give their names).

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Eight additional recommendations resulted from the Council's May 1983 meeting. The Council's recommendations follow:

National Advisory Council
Recommendations Resulting from
May 24-25, 1983 Meeting

1. The Council recommends that the proposal for mandatory, nationwide home delivery of infant formula not be put into effect for the WIC Program.

2. USDA should routinely provide the Council with information on future research plans for WIC and CSFP, and provide Requests for Proposals (RFPs) at the earliest legal time as well as notify members of the intent to release RFPs.

3. USDA should ensure that CSFP parents are advised that honey should not be given to infants under one year of age.

4. USDA should analyze the cost benefit of requiring State agencies to monitor dual program participation. If it is found that it is not cost-effective to require States to monitor dual participation, the requirement should be dropped.

5. USDA should explore the legality and feasibility of allowing States to carry over funds from one fiscal year to another. The results of USDA's study should be reported to the Council. The Council recommends carryover if legally possible.

6. USDA should pursue new regulations for Food Package III that will increase formula amounts allowable for women and children with medical or special dietary needs, so that an adequate amount of prescribed formula can be supplied for each month.

7. USDA should, jointly with DHHS, look at the concept of WIC as an adjunct to health care in conjunction with the trends and long term impact of reduced funding for Maternal and Child Health Programs, Medicaid and other DHHS Programs that interface with WIC.

8. USDA should facilitate an understanding of the private physician's role with regard to WIC/CSFP referrals. This could include editorials in medical journals to clarify that physicians should refer for WIC but not for medical care. Local WIC agencies should be notified that WIC clients should not be diverted from their normal pattern of medical care.

QUARTERLY WIC PARTICIPATION ESTIMATES

Question: Your budget assumes participation in the WIC Program will average 2.7 million persons per month. Please provide the committee with a quarterly participation projection for Fiscal Year 1985 and the last two quarters of Fiscal Year 1984.

Answer: A table which shows WIC program participation follows:

The table submitted represents possible projections of WIC participation based on our current assumptions. To a great extent, the actual levels will depend on how States chose to manage their funds and caseload.

WIC PARTICIPATION PROJECTIONS
FY 1984-85

Fiscal Year/ Quarter	Average Participation
	Mil.
FY 1984	
3rd & 4th Qtr.	2.6
FY 1985	
1st	2.7
2nd	2.7
3rd	2.7
4th	2.7

WIC PROGRAM EVALUATION

Question: The budget proposes to continue to spend $3 million for FY 1985 on WIC program evaluation. Please describe how the evaluation monies are being used in FY 1984 and what will be done in FY 1985?

Answer: In FY 1984 the research and evaluation activity in WIC focuses on the following areas: assessment of the long term impacts of WIC on participants; development of systems to reduce fraud, waste and abuse; and evaluation of the WIC nutrition education component.

Among the studies and their estimated costs designed to meet these goals are the following:

Title:	Follow-up Study of Children: Year One
Purpose:	Describe the participation patterns of WIC children and their families; assess effects of WIC on nutritional intake, physiological and psychomotor development; and assess the health costs of WIC participants.
Contractor:	To be awarded
Completion Date:	December 1985 (est.)
Cost:	FY 84: Under negotiation

Title:	WIC Nutrition Education Evaluation
Purpose:	Categorize and describe approaches to nutrition education; demonstrate and evaluate the impact of selected nutrition education methodologies; and evaluate the success of WIC in promoting the practice of breastfeeding.
Contractor:	To be awarded
Completion Date:	Summer 1986
Cost:	FY 84: Under negotiation

Title: Small State Agency Management System Model
Purpose: Develop model software for small State agencies to use with inexpensive microcomputers which will improve overall program operations and reduce administrative burdens.
Contractor: To be awarded
Completion Date: September 1985
Cost: FY 84: Under negotiation

Title: FNIC Lending Library
Purpose: Support library which loans nutrition education materials to local and State WIC programs.
Cooperating Agency: National Agricultural Library
Completion Date: Ongoing
Cost: FY 84: $45,000

Title: Food Package Modeling System
Purpose: Develop a system for estimating the nutrient content and cost of WIC food packages.
Contractor: To be awarded
Completion Date: Spring 1985
Cost: FY 84: Under negotiation

We are planning to conduct several studies during Fiscal Year 1985. However, our plans are not yet final.

WIC FOOD PACKAGE

Question: Are changes being considered for the WIC food package for either Fiscal Year 1984 or Fiscal Year 1985?

Answer: In November 1980 new WIC food package regulations were published, to be implemented by January 1, 1983. We do not anticipate any modifications in the food packages in the near future.

However, in compliance with Public Law 95-627, the Department on an ongoing basis reviews the appropriateness of the food packages based on new nutrition evidence, economic factors and the needs of program administrators. Should our review indicate that modifications in the packages are needed, changes would be proposed for public comment.

FOOD STAMPS

Question: The President's Task Force on Food Assistance made numerous recommendations regarding the Food Stamp Program. Please summarize each of the Task Force recommendations which would require either legislative or administrative action to implement, the estimated cost to implement each proposal and the current status of implementation of each proposal.

Answer: A summary of the Task Force recommendations follows:

- **Recommendation/Summary**: Give States the option to replace the national Food Stamp Program with a family food assistance program of their own design, funded through a a national grant. Legislative action required.

  Status: Under consideration.

  Cost/Savings: This proposal is not expected to have substantial budgetary impact, if any.

- **Recommendation/Summary**: Base food stamp allotments on the full Thrifty Food Plan amount rather than 99 percent which was established in 1982 (P.L. 97-253). Legislative action required.

  Status: Under consideration.

  Cost/Savings: $119 million in costs in Fiscal Year 1985.

- **Recommendation/Summary**: Raise asset limits to $3,500 for elderly households, and $2,250 for all other households. Increase the excludable value of vehicles evaluated for fair market value to $5,500. Legislative action required.

  Status: Under consideration.

  Cost/Savings: $183 million in Fiscal Year 1985 in additional costs.

- **Recommendation/Summary**: Ensure that individuals without fixed home addresses are eligible for participation in the Food Stamp Program.

  Status: According to food stamp regulations, the State agency shall not impose any durational residency requirements. A fixed residence or an intent to reside permanently in the State or project area is not required. In early 1983, we surveyed the FNS Regional Offices to determine if there are any State agencies or eligibility workers who are automatically denying food stamps to homeless persons. No problems were uncovered. Following the survey, we issued instructions to the Regional Offices asking them to ensure that all State agencies know and are applying our policy as it relates to homeless persons. Following the release of the Task Force's recommendations, we issued memorandum to all Regional Offices instructing them to strongly encourage State agencies to review their current practices related to homeless persons and ensure compliance with the regulations.

  Cost/Savings: Not applicable.

- **Recommendation/Summary**: Cash out food stamp benefits for the disabled and the elderly or allow States to permit recipients of Supplemental Security Income (SSI) to use food stamps to purchase prepared meals. Legislative action required. At the present time, food stamps may be used to purchase prepared meals at certain designated facilities.

Status: Under consideration.

Cost/Savings: $14 million in costs in Fiscal Year 1985.

- Recommendation/Summary: Institute categorical eligibility for households receiving Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) payments.

  Status: The President's budget for 1985 makes the same proposal for AFDC household. Expansion to SSI households is under consideration.

  Cost/Savings: $4 million in savings in Fiscal Year 1985.

- Recommendation/Summary: Make States liable for overpayment errors in excess of five percent. States with a combined error rate for ineligibility (payments to ineligible households) and overissuances (overpayments to eligible households) that exceeds five percent would be liable for the dollar value of the excessive errors. Legislative action required.

  Status: The President's budget makes a similar proposal. However, the budget provides for State liability for all benefits issued in excess of a three percent tolerance.

  Cost/Savings: $21 million in savings from error reduction the first fiscal year.

- Recommendation/Summary: Encourage States to keep food stamp offices open during nonbusiness hours.

  Status: Current regulations allow States the option of establishing flexible service hours. We have issued a memorandum to all Regional Offices requesting that they discuss with States the possibility of initiating flexible office hours where standard hours are still maintained or of maximizing the hours available.

  Cost/Savings: Not applicable.

- Recommendation/Summary: Permit States to stagger the delivery of food stamps throughout the month.

  Status: This change has been implemented for households subject to monthly reporting/retrospective budgeting and was included in an April 2, 1982 proposed rule for all households. The final rule will be published in the near future.

  Cost/Savings: Not applicable.

GRACE COMMISSION RECOMMENDATIONS

Question: Please describe for the Committee the recommendation of the Grace Commission relating to the Food Stamp Program that could be implemented administratively, what action will be taken to implement each recommendation, and what savings would result from each, assuming a full-year savings in Fiscal Year 1985.

Answer: The summary of the Grace Commission's recommendations follows:

- Recommendation/Summary: (Low Income Standards and Benefits (LISAB) Task Force Recommendation 4-3) Require submission of social security numbers and income tax returns as a condition of eligibility.

  Status: Collection of social security numbers for all household members was authorized by the Food Stamp Act Amendments of 1980 and mandated by the Food Stamp and Commodity Distribution Amendments of 1981. Collection of social security numbers has proven to be an effective deterrent. While we support measures to improve verification, copies of Federal tax returns are of limited interest to Food Stamp Program administrators. Most food stamp households do not earn income and do not have to file a tax return. Food stamp eligibility is established on a monthly basis while tax returns show annual data. Food Stamp Program households are often different from tax filing units. This information can be verified through other sources. Finally, requiring submission of income tax returns would also raise broad confidentiality issues.

- Recommendation/Summary: (LISAB 4-4) Mandate standardized wage-matching for means-tested programs.

  Status: For Food Stamp Program purposes, States were required to implement wage-matching procedures by January 1, 1983. The wage-matching requirement has not been in operation long enough to adequately measure its overall national effect. However, we do have some anecdotal evidence from a few States which suggests dramatic savings or cost-avoidance through wage-matching. We do not believe further modifications of food stamp wage-match requirements should be made until more information about cost-effectiveness becomes available.

  Recommendation/Summary: (LISAB 5-1) Accelerate welfare data coordination.

  Status: Until recently, there have been separate and different data collection forms and data processing systems for food stamps, Aid to Families with Dependent Children (AFDC) and Medicaid Quality Control. In October 1981, a new form was introduced to code the quality control review findings for food stamps, AFDC, and Medicaid Quality Control; this data can be processed by one system (the Integrated Quality Control Data Processing System). Additionally, we are testing interstate matches of casefiles to detect dual participation. These efforts will be monitored with a view toward expansion.

- Recommendation/Summary: (LISAB 5-2) Issue Federal regulations to standardize Federal and State welfare recipient forms to enhance the accessibility of common information.

  Status: The Food Stamp Act Amendments of 1982 increased State flexibility in forms design. This change was made in response to State requests that they have more control over forms, notices, and other written materials prepared by States for clients and staff. We believe this flexibility should remain.

- Recommendation/Summary: (LISAB 5-3) Use the Statewide Integrated Eligibility Determination and Recordkeeping System (SIEDRS) as a model for States to follow in the implementation of automated systems.

  Status: We recognize the important role that automation can play in improving the accuracy and efficiency of providing assistance to low income households. We support the use of SIEDRS as a model. It represents a preliminary planning document suitable to States which are in the early phases of automation. Also, it would not be practical nor cost effective to ask States with viable automated processing systems to redo their systems to match SIEDRS. We believe it is critical to provide for substantial State flexibility in developing automated systems. Finally, the SIEDRS system has never been tested.

- Recommendation/Summary: (LISAB 6-1) All States should adopt an ADP system based on the SIEDRS.

  Status: Please refer to the answer to LISAB 5-3.

- Recommendation/Summary: Continue on an accelerated basis current alternative issuance demonstration projects.

  Status: Our Electronic Benefit Transfer Project, which is scheduled to be fully implemented later this year, substitutes electronic impulses for paper coupons as an exchange medium. It was designed to eliminate opportunities for fraud and abuse. The system design for the EBT project has been completed and the project has formally moved into Phase II, the development phase. During this phase, all system components will be finalized and tested.

- Recommendation/Summary: (AG-10) Substitute a new economies of scale factor to set allotments for households of various sizes.

  Status: We have established a special Interagency Review Committee of experts from the Food and Nutrition Service, the Economic Research Service, and the Human Nutrition

Information Service. Their task is to analyze and evaluate alternative approaches to economy of scale development.

Savings: Until the analysis is completed, the savings cannot be calculated.

- Recommendation/Summary: (AG-11) Redefine the contents of the individual coupon book; create a $20 coupon; create a $100 coupon book; and discontinue the $2 book.

Status: The Grace Commission's recommendation to redefine the contents of the individual coupon books was partially adopted by changing the coupon composition of the $50 and $65 books.

Savings: By changing the coupon composition of the $50 and $65 books, the production savings over the next two years will be $8 million. An additional $3 million has been captured through technical innovations in the book manufactoring process. As a result of a procurement package for food stamps which featured in-depth technical and cost auditing of proposals, another $4 million was saved. Thus, a total savings of $15 million will be realized over the next two years as a result of these actions.

THRIFTY FOOD PLAN

Question: A major recommendation involved changes in the economy of scale factors for the Thrifty Food Plan. What group of recipients would be affected most by implementing this proposal and is this under active consideration for implementation?

Answer: The recommendation in the Grace Commission report would affect one person households most. The Grace Commission recommended that the economy of scale adjustments be flattened. Instead of the current range of 120 to 90 percent of the costs for an individual in a four person household, the Grace Commission recommended a range of 109 to 97 percent. As a result of these scale adjustments, household sizes smaller than four would have their benefits reduced and household sizes larger than four would have their benefits increased. The Grace Commission recommendation is one of several alternatives being analyzed at this time by a committee of experts from Food and Nutrition Service and the Department's Economic Research and Human Nutrition Information Services. Their task--to analyze and evaluate the current and alternative economy of scale measures--is now nearly complete.

This committee was established because new data and research are recently available. Also, there have been substantial changes in dietary habits. Diets in general are improving because of increased nutrition awareness, and many foods are available now that did not even exist in the mid-sixties when the last survey data were collected. Finally, there have been technological changes. Thus, the Department's 1977-78 Nationwide Food Consumption Survey is a substantially better source of information about food stamp recipients and current dietary habits. The new survey contains a special low income sample that enables us, for the first time, to make inferences about the actual consumption of lower income households. Also, new methodologies for economy of scale development, which build upon the benefits of the old ones, have now been conceived. The Grace Commission recommendation is only one of a number of new recommendations for economy of scale development. They made an important contribution by highlighting the different approaches to this task. They reaffirmed the nutritional basis for determining economies of scale, and they highlighted the reality that differences in dietary costs according to household size may be a result not only of authentic scale economies in purchasing food but also of dietary preferences.

I assure you that whatever, if any, changes in economies of scale are considered appropriate, you will be provided with ample opportunity to review the data and to provide input, either through the legislative process or through the Administrative Procedures Act.

FOOD STAMP REGULATIONS

Question: FNS has spent considerable time reviewing a package of changes in food stamp regulations that was originally designed by an outside consultant. Reports are that these regulations would harm recipients, and that State officials who run the program say the regulations would increase paperwork and increase error rates. Both the National Council of State Public Welfare Administrators and the National Council of Local Public Welfare Administrators have called on the Department not to issue these regulations. Can you tell us what your plans are regarding these regulations, and provide us with an outline as to what these regulations would do?

Answer: We are considering revising Parts 271-274 of the regulations because those regulations have been amended about 150 times since the last comprehensive revision in 1978. The goal of the project is to improve the clarity and consistency of the regulations and to reduce their volumne, so that the Food Stamp Program will be easier and less costly for State agencies to operate. The goal has never been to reduce program benefits. As far as the reaction of State agencies you referred to that judgement, I believe, was based on earlier drafts of the revision which we provided to State agencies for comment and which contained preliminary ideas that have been modified or deleted in subsequent drafts.

It is precisely because we wanted reaction and input from State agencies that we shared early drafts of the revision with them. We have revised the proposals and are awaiting comments from State agencies on the current draft.

The final decision on publication of the revision of Parts 271-274 of the regulations will, as usual, be made by the Secretary's Office following clearance by the Department's senior policy level officials and the Office of Management and Budget. If and when a regulatory proposal is developed for publication in the Federal Register, we will provide ample opportunity for public input and comments before issuing final regulations. We do not now have a schedule for publishing such a regulatory proposal.

BUDGET ASSUMPTIONS

Question: Please provide the month-by-month unemployment projections and participation assumptions used in developing the supplemental request for Fiscal Year 1984 and the budget request for Fiscal Year 1985.

Answer: We budget for the program on a quarterly basis not a monthly basis. A table showing the requested data by quarters follows:

FOOD STAMP PROGRAM PROJECTIONS

FISCAL YEAR QUARTER		PARTICIPATION U.S.	UNEMPLOYMENT
		MIL	%
1984	1	21.01	8.60
	2	20.98	8.10
	3	20.35	7.90
	4	19.83	7.90
TOTAL/AVG		20.54	8.13
1985	1	19.79	7.80
	2	20.40	7.80
	3	20.18	7.70
	4	19.74	7.70
TOTAL/AVG		20.03	7.75

Question: Should unemployment improve faster than expected in Fiscal Year 1984, what impact will this have on the supplemental needed for the Food Stamp Program and the funding requirements for Fiscal Year 1985.

Answer: The unemployment rate decline currently being experienced is the largest in over 30 years. The food stamp supplemental incorporates an unemployment rate projection of 7.9 percent by the end of the fiscal year. Food stamp participation, while responsive to changing unemployment rate levels--food stamp participation has declined by over 1.4 million participants since March 1983--has a lagged response from 3 to 9 months due to the characteristics of the participants and the nature of the program. Since there is this lagged effect of unemployment rate changes on program participation, the effects of unemployment rate changes occurring now will not be fully manifested in Fiscal Year 1984 participation levels, and consequently program costs. Continued dramatic declines in the unemployment rate, if larger than those previously projected, could lower Fiscal Year 1985 costs.

COMMUNITY WORK EXPERIENCE PROGRAM

Question: You have requested that Congress make a community work experience program mandatory for food stamp recipients. Please describe this proposal, including who would and would not be required to participate along with a description of the results of evaluations of existing workfare programs.

Answer: Under our proposal, all persons required to register for work would also have to fulfill community work experience program (CWEP) requirements in order for their households to remain eligible for food stamps. In addition, persons exempt from work registration only because they are complying with work requirements of the Federal - State unemployment compensation system would also have to comply with CWEP. The total monthly CWEP requirement would be the household's monthly allotment divided by the higher of the State or Federal minimum wage. The maximum number of hours anyone would have to work in CWEP in conjunction with other employment would be 120 hours per month. Failure to perform work or report for an interview without good cause would result in a two-month disqualification of the entire household. State agencies would be required to establish programs to offer workfare placements to 75 percent of covered individuals or be subject to error rate sanctions for issuances to ineligible households. State agencies would receive funding for 50 percent of the costs of CWEP, except for costs of equipment, tools, materials or costs of supervising CWEP participants. The proposed legislation would require that implementing regulations permit flexibility so that CWEP could be made compatible with other workfare/CWEP programs which State agencies may have in operation.

The evaluation of the food stamp workfare demonstration project is nearing completion. Results from the first seven project sites that operated from 1979 to 1980 are available. Evidence from the first set of projects indicates that workfare increased the rate of regular employment among female referrals and reduced food stamp participation among both males and females referred to workfare. Observation of both sets of projects indicates that (1) workfare is administratively feasible; (2) participants made positive contributions to their communities; (3) workfare helped participants develop or practice job skills; and (4) workfare increased access to paying jobs for participants.

The following recipients are automatically excluded from the CWEP requirements: (1) those who are 18 years of age or younger unless they are heads of households; (2) recipients who are 60 years old or older; (3) members of a household with responsibility for care of dependent children under six years of age except those with responsibility for care of dependent children between ages 3 through 5 if adequate child care is available; bona fide students enrolled at least half time in a recognized school, training program, or institution of higher learning; recipients who currently comply with the WIN Program; regular participants in drug addiction or alcoholic treatment or rehabilitation programs; and those who are employed 30 hours per week or receiving wages equal to the product of 30 hours times the minimum wage.

Question: It has been reported that 9 of the 14 jurisdictions that participated in the workfare pilot project dropped workfare at the end of the pilot due to excessively high administrative costs. Please discuss this experience and indicate whether the present workfare proposal would adjust administrative costs for increases associated with workfare.

Answer: Administrative costs were only one of several possible reasons that local jurisdictions declined to initiate new workfare projects after the project they had agreed to operate was complete. A variety of local decisions and personnel changes caused some sites to not extend their workfare projects beyond the original agreement.

ERROR RATE PROPOSAL

Question: The budget assumes that legislation would be approved to require States to pay back the value of all coupons issued in error above three percent. Please describe how this proposal would work, that is, when States would be charged for losses, how USDA would determine actual losses, and how this would impact on recipients in States that did not pay or contest the amount they owe.

Answer: Under this proposal, effective October 1, 1984, a State with a combined error rate for ineligibility--payments to ineligible households--and overissuances--overpayments to eligible households--which exceeds three percent in Fiscal Year 1985 and subsequent fiscal years would be liable for the dollar value of the excessive errors. The projected amount of any State's liability would be deducted from the Federal funding available for that State's administrative costs or would be collected through direct billing during the fiscal year in which the excessive errors occur.

In order to calculate the amount of States' liability during the same fiscal year that the errors occur, the Department will project a national error rate dollar loss using a projected national error rate adjusted for the three percent error tolerance and a projected fiscal year's issuances. The national dollar loss will be apportioned among States based on their contribution to the national dollar loss because of error rates above three percent during the most recent quality control period for which federally-adjusted data is available. When the actual quality control data for a fiscal year is received and validated, the amount of a State's liability may be adjusted. If the amount of liability is reduced, the difference would be reflected in a State's Federal funding; if increased, the State would be billed for the difference.

Actual losses would continue to be determined using the present system which establishes statistically valid samples of all cases which are then thoroughly reviewed for accuracy. Those cases inaccurately determined make up the actual loss rate. States would continue to have the right to contest these findings through administrative channels but an adjustment needed as a result would take place after the initial State payment.

As to whether this proposal would have any impact on recipients, there will be no impact. This is because the proposal affects administrative funds, not benefits available to recipients.

Question: Your statement indicates that no reductions in benefits to eligible recipients would result from this proposal. Please describe how this would be ensured.

Answer: Benefit dollars are not involved in this proposal except in the sense that they are the basis for losses.

Question: Please provide the Committee the latest error rate data for each State.

Answer: The latest available statistics on error rates are for the October 1981 to March 1982 reporting period. A copy of the data on active case error rates by State follows:

TABLE 3: ACTIVE CASE ERROR RATES BY STATE - October 1981 - March 1982

REGION AND STATE	Percent of Cases in Error Ineligible	Overissue	Underissue	Percent of Dollars in Error Ineligible	Overissue	Underissue	Total
United States	4.85	13.50	7.35	4.66	5.13	2.35	12.18
Northeast							
Connecticut	6.70	11.57	4.93	6.56	6.98	2.89	16.45
Maine	5.94	10.82	6.13	3.40	4.39	1.91	9.70
Massachusetts	5.93	12.33	4.08	8.60	5.05	2.14	15.89
New Hampshire	9.39	12.16	7.46	9.21	6.39	2.05	17.65
New York	6.32	17.06	9.57	7.78	6.28	2.68	16.76
Rhode Island	3.22	9.08	5.42	4.55	4.16	3.31	12.02
Vermont	7.86	10.06	5.35	5.18	4.45	2.47	12.10
Regional Sub-Total	6.26	15.18	7.97	7.54	5.98	2.59	16.14
Mid-Atlantic							
Delaware	1.29	12.08	7.71	2.31	3.69	2.51	8.51
District of Columbia	6.70	12.80	15.92	6.59	4.73	7.32	18.72
Maryland	5.74	13.03	6.51	5.15	5.52	1.66	12.33
New Jersey	4.84	9.51	6.91	4.80	3.70	2.41	10.94
Pennsylvania	7.47	14.59	5.58	6.83	5.04	1.45	13.70
Puerto Rico	4.14	18.43	9.30	3.64	4.80	1.85	10.29
Virginia	3.26	11.63	7.11	2.86	4.11	2.84	9.81
Virgin Islands	2.60	19.48	1.30	4.12	4.27	0.95	16.45
West Virginia	4.95	13.24	8.63	3.92	4.97	2.45	11.34
Regional Sub-Total	5.23	14.58	7.59	4.57	4.70	2.05	11.47
Southeast							
Alabama	2.50	10.73	7.26	1.93	3.49	2.07	7.49
Florida	5.28	18.14	7.75	3.54	7.23	2.16	12.93
Georgia	3.39	13.88	7.83	2.81	3.80	2.16	8.76
Kentucky	3.84	13.18	7.16	2.93	4.14	1.92	8.99
Mississippi	4.13	14.00	8.69	3.87	5.03	3.91	12.82
North Carolina	4.21	14.11	11.57	3.24	6.32	3.84	13.40
South Carolina	4.25	16.56	8.88	4.28	7.25	1.33	12.86
Tennessee	5.69	16.05	6.86	4.73	6.24	2.35	13.31
Regional Sub-Total	4.28	14.87	8.11	3.38	5.45	2.42	11.24
Midwest							
Illinois	3.29	12.75	6.83	2.92	4.76	2.15	9.83
Indiana	3.84	12.68	6.67	3.20	3.60	2.45	9.25
Michigan	5.95	12.51	7.99	4.39	4.69	2.30	11.39
Minnesota	2.79	10.70	4.68	4.71	5.52	1.56	11.81
Ohio	5.33	12.62	5.49	4.57	4.12	1.82	10.51
Wisconsin	[illegible]	9.67	8.96	6.61	4.02	4.15	14.78
Regional Sub-Total	4.70	12.33	6.80	4.03	4.43	2.21	10.67
Southwest							
Arkansas	4.83	12.32	7.72	4.23	5.26	3.10	12.59
Louisiana	5.78	13.28	7.85	3.90	5.98	2.60	12.48
New Mexico	6.20	18.09	7.83	6.74	6.35	2.72	15.82
Oklahoma	2.86	9.16	6.30	4.11	3.40	3.97	11.48
Texas	4.21	12.45	6.66	4.09	6.72	2.27	13.08
Regional Sub-Total	4.65	12.69	6.80	4.27	6.13	2.59	12.99
Mt. Plains							
Colorado	6.90	12.95	8.07	9.74	4.84	2.70	17.28
Iowa	5.09	12.63	6.24	5.69	3.49	2.21	11.38
Kansas	5.27	11.18	5.17	6.46	3.69	1.60	11.75
Missouri	2.69	13.87	7.34	2.15	4.65	2.30	9.10
Montana	2.58	8.39	5.48	1.66	5.65	1.62	8.92
Nebraska	6.69	11.47	8.60	6.82	3.51	4.02	14.35
North Dakota	5.10	5.73	8.28	5.49	1.67	1.97	9.13
South Dakota	5.74	16.13	3.94	4.47	6.63	1.35	12.46
Utah	4.26	7.80	8.51	4.63	2.56	2.96	10.14
Wyoming	6.32	9.47	1.05	5.03	3.33	0.75	9.12
Regional Sub-Total	4.56	12.33	6.92	4.85	4.27	2.31	11.42
Western							
Alaska	17.39	16.77	6.21	14.32	6.89	1.98	23.37
Arizona	6.60	18.40	8.34	6.21	6.42	2.81	15.46
California	3.21	8.71	5.83	4.88	4.40	2.74	12.05
Guam	3.90	7.79	9.74	3.54	1.44	2.22	7.20
Hawaii	3.20	10.01	7.88	3.90	2.78	2.40	9.08
Idaho	4.80	9.59	4.80	3.57	3.80	1.52	8.89
Nevada	0.39	5.81	2.33	0.25	1.20	1.56	3.01
Oregon	5.47	11.10	6.64	6.58	5.40	3.20	15.45
Washington	4.51	11.37	5.12	4.29	6.02	1.66	12.05
Regional Sub-Total	4.02	10.18	6.09	5.15	4.81	2.56	12.58

Notes

1/ 16.45 percent is the payment error rate assigned to the Virgin Islands for this reporting period.

FOOD STAMP PROPOSALS

Question: In each of the past three years, the Reagan Administration has proposed significant reductions in the Food Stamp Program. If possible, please provide an estimate of what the Food Stamp Program would cost in Fiscal Year 1985 had the Congress enacted all of these proposals.

Answer: The information now available does not permit us to make a reasonable estimate of program costs in 1985 if the Administration's proposals had all been adopted.

Question: When the President proposed the Fiscal Year 1982 budget, he assumed the Food Stamp Program would cost $10.2 billion in budget authority in Fiscal Year 1985. However, the economic assumptions for Fiscal Year 1985 were different than those in the actual budget for Fiscal Year 1985. Please provide the Committee with a chart comparing the differences in assumptions and adjust the Fiscal Year 1985 figure assumed in the Fiscal Year 1982 budget to reflect the current economic assumptions.

Answer: The following chart compares the key economic assumptions that affect the estimate of Food Stamp Program costs in 1985. As you can see, the assumptions in the 1982 budget anticipated a lower unemployment rate and higher food stamp allotments than the current assumptions.

	1982 Budget Assumptions	1985 Budget Assumptions
Unemployment rate	6.1%	7.8%
4-person allotment	$309	$257

It is not possible to adjust the $10.2 billion estimate reported in the 1982 budget. This figure presumed the passage of a specific package of legislative proposals. The laws passed by Congress that year, the Omnibus Budget Reconciliation Act of 1981 and the Food Stamp and Commodity Distribution Amendments of 1981, adopted most of the proposals, but made additional changes. The Food Stamp Act Amendments of 1982 changed the program in still other ways. Because of these changes, we cannot reasonably estimate what the program would cost in 1985 if the original budget proposals had been adopted.

MONTHLY REPORTING/RETROSPECTIVE BUDGETING

Question: It is our understanding that FNS has received a report prepared by Abt Associates entitled "Payment and Caseload Effects of Monthly Reporting in the Food Stamp Program" which presents the results of the first full year of a MRRB demonstration project in Illinois. Please provide us with the executive summary of this report and response to the following questions based upon the information provided in that report:

- Does MRRB lead to significant reductions in error rates?
- Does MRRB result in the termination of benefits for households that are otherwise eligible?

- What is the impact of MRRB on administrative costs?
- Does MRRB result in significant reductions in benefits?

Answer: We have not yet received the final report "Payment and Caseload Effects of Monthly Reporting in the Food Stamp Program." The contractor, Abt Associates, is currently revising the first draft of that report and conducting more analyses. Information on error, recipient effects and administrative costs will be contained in separate reports. These too are in the final analysis stage. Therefore, I cannot answer these four specific questions at this time.

AFDC CERTIFICATION COSTS

Question: The budget assumes a transfer of funding for certification of AFDC households to the Food Stamp Program. What justification is there for this transfer at this time?

Answer: For years the Department of Health and Human Services, DHHS, has assumed the costs of processing the food stamp portion of AFDC household certification activities. The two Departments have previously discussed a more equitable sharing of these costs but have not taken action until now. The $122 million transfer represents our joint estimate of the cost of handling the food stamp portion of AFDC cases in Fiscal Year 1984. State agencies will keep track of the proportion of time caseworkers spend on food stamp aspects of AFDC cases and claim 50 percent of the costs from the Department of Agriculture.

WORK REGISTRATION/JOB SEARCH

Question: The justification materials indicate $31.7 million will be used to support food stamp workfare in Fiscal Year 1984. How much is included in the budget for this activity in Fiscal Year 1985?

Answer: The $31.7 million you refer to in the fiscal year 1984 budget will be used for work registration/job search activities. The fiscal year 1985 budget includes $33.4 million for this activity.

COUPON PROCESSING

Question: The budget includes $12.1 million for processing of redeemed coupons. For what are these funds used and to what banks are they paid?

Answer: The $12.1 million budgeted covers services provided by the Federal Reserve Banks for processing food coupons presented for redemption and for reimbursing private sector banks. The services include counterfeit coupon reviews, verification of coupon deposits, and the destruction of coupons.

Included in the budgeted amount are funds for the pro-rated costs of space used for coupon processing, dedicated machinery and salaries for those involved in processing coupons.

RESEARCH AND DEMONSTRATION PROJECTS

Question: The budget includes $10.9 million for research and demonstration projects. Please describe what activities are being funded in Fiscal Year 1984 and what new projects are planned for Fiscal Year 1985 including the cost of these projects?

Answer: Information regarding the projects we are conducting and their costs in 1984 and 1985 follows:

Title: Microsimulation
Purpose: To provide cost and caseload estimates for FNS programs.
Contractor: Mathematica Policy Research
Completion Date: Continuous
Cost: FY 83: $730,000; FY 85: $800,000

Title: Analysis of FNS Food Programs Under the FNS-ERS Agreement
Purpose: Provide forecasts of selected economic indicators; determine the impact of food programs upon the economy; provide technical assistance on short notice; determine the impact of block grants on the agricultural sector of Puerto Rico; and determine the impact of alternative food delivery systems.
Contractor: Cooperative Agreement
Completion Date: Continuous
Cost: FY 84: $100,000; FY 85: $100,000

Title: Impact of New Legislation (OBRA)
Purpose: Measure and analyze the changes required by provisions of the Omnibus Reconciliation Act of 1982 and ascertain their effect on administrative costs and characteristics of food stamp participants.
Contractor: Urban Institute
Completion Date: 1985
Cost: FY 84: $1,200,000; FY 85: $-0-

Title: Simplified Application
Purpose: Evaluation of Alternative Application and benefit determination procedures that have the potential to streamline Food Stamp certification.
Contractor: MPR
Completion Date: Fall, 1985
Cost: FY 84: #0; FY 85 $538,600

Title: Demonstration and Evaluation of the Alternative Issuance Systems
Purpose: Describe the implementation and assess the impact of an electronic benefit transfer system on administrative costs, issuance reliability and security, recipient access, and food retailer productivity.
Contractor: Abt Associates, Inc.
Completion Date: Summer, 1986
Cost: FY 84: $415,000 (demonstration), $130,000 (evaluation); FY 85: $-0-

Title: Expedited Service
Purpose: Estimate the number of households eligible for expedited service; describe their characteristics; assess the vulnerability of expedited services to fraud and error; describe the impacts of proration and other recent legislative changes; and make recommendations to improve administrative efficiency and program integrity in expedited cases.
Contractor: SRA Technologies
Completion Date: Winter, 1986
Cost: FY 84: $1,375,000; FY 85: $-0-

Title: State Initiated Projects (Demonstration and Evaluation)
Purpose: Conduct State proposed studies of the food stamp program, especially those related to fraud prevention and reduction. An independent evaluation contractor will assess the results.
Contractor: Applied Management Sciences
Completion Date: Winter, 1986
Cost: FY 84: $1,235,000; FY 85: $500,000

Title: Alternative Quality Control (QC) Procedures
Purpose: Evaluate the accuracy, reliability and equity of the QC system and test and evaluate alternative QC procedures.
Contractor: Not yet selected.
Completion Date: two years after start
Cost: FY 84: Under Negotiation

Title: SIPP Research
Purpose: Generic data base development and analysis
Contractor: Inter-agency agreement with Census Bureau for data base development
Completion Date: Continuing effort
Cost: FY 84: $100,000 FY 85: $500,000

Title: Food Stamp Error Prevention Study
Purpose: Determine management techniques and certification procedures that can reduce error in the food stamp program.
Contractor: SRI International
Completion Date: 1985
Cost: FY 84: $300,000

Title: Puerto Rico Nutrition Survey Data Collection
Purpose: Analyze household food consumption data from an islandwide representative sample of 2500 households in Puerto Rico.
Contractor: To be selected
Completion Date: January, 1985
Cost: FY 84: Under Negotiation

Title: Puerto Rico Nutrition Evaluation
Purpose: Analyse household food consumption data to determine the effects of Puerto Rico's cash food assistance program on household food expenditures and dietary adequacy.
Contractor: To be selected
Completion Date: August, 1985
Cost: FY 84: Under Negotiation

During 1985, we plan to initiate several new studies, but our research agenda is not yet firm.

STATE ADMINISTRATIVE EXPENSES

Question: The budget assumes a $45.2 million increase in State administrative expenses. Please describe how States are reimbursed for 50 percent of the costs associated with administering the Food Stamp Program and whether any State's claim for funds has ever been audited.

Answer: Each fiscal year the Food and Nutrition Service establishes a Letter of Credit (LOC) for each State agency. States are reimbursed for 50 percent of the costs associated with administering the Food Stamp Program which they draw from their LOC. State's claims for funds are reviewed by Food and Nutrition Service staff and are periodically audited by the Office of the Inspector General.

WASTE, FRAUD, ABUSE

Question: Are there any provisions of law enacted since 1978 intended to curb waste, fraud and abuse that have not yet been implemented? If so, please list and provide explanation as to why they have not been implemented.

Answer: Regulations to implement the following 1981 and 1982 legislative provisions have been published as proposed. The regulations are scheduled for final publication shortly. All other provisions that curb fraud, waste and abuse have already been implemented.

- P.L. 97-98, Section 1311 provides for disqualifications for voluntary quit and failure to comply with WIN or other comparable programs. Sections 157 and 158 of P.L. 97-253 1) lengthen disqualification period for noncompliance from 60 to 90 days; 2) allow States the option to apply job search at time of application; and 3) require the second parent in a household with another able-bodied parent subject to the work requirements to register for work when the youngest child reaches six.

  Published proposed regulations 5/24/83 - Scheduled for final publication in April 1984.

- P.L. 97-98, Section 1319 provides for access to applicant and recipient records by the Comptroller General of the U.S. for audit and examination purposes and by local, State and Federal law enforcement officers for purposes of investigating possible Food Stamp Act and regulation violations. Section 169 of P.L. 97-253 1) allows access to food stamp application information by officials in other Federal or federally assisted State assistance programs; and 2) prohibits any increase in food stamp benefits to households on which penalities have been imposed and income decreased for intentional failure to comply with Federal, State or local welfare laws.

  Published proposed regulations 4/19/83 - Scheduled for final publication in May 1984.

ERROR PREVENTION STUDY

Question: The notes indicate that a national food stamp error prevention study contracted for at the end of Fiscal Year 1982 was to have an interim report available in January. Please provide the Committee with a summary of that report.

Answer: Since the notes were prepared, the delivery date for the report changed. The interim report therefore is not yet available.

CHILD NUTRITION PROGRAMS

Question: The budget proposes to prohibit payment of funds for program costs incurred by schools in States that do not administer the programs. Please provide a list of those States that currently do not administer the programs, which programs they do not administer and some explanation as to why they do not administer the program, such as church/State conflict with State constitution.

Answer: A chart that indicates the Child Nutrition Programs that the Food and Nutrition Service administers directly or in part follows.

It is important to note that the Administration's proposed budget does not expect to realize any savings from this proposal and that the reimbursement funding levels therein do not assume any reductions in participation as a result. Since States are responsible for making Federal programs available to their citizens, the Department believes it is an inappropriate use of Federal resources to act as a State agency in administering these programs.

In most cases, States do not directly administer these programs because the State has decided not to do so. In some cases States have indicated that their State constitutions prohibit the disbursement of funds to private schools and sponsors or other State legislation prevents State agencies from operating the programs. It is our understanding that relatively few of these States actually have constitutional prohibitions against program administration.

The chart follows:

REGIONAL OFFICE ADMINISTRATION OF CHILD NUTRITION PROGRAMS

Name of State	Child Care Food Program	Summer Food Service Program	National School Lunch Prog. (incl. Commodity School Prog.)/School Breakfast Program		Special Milk Program			
			Schools	RCCIs	Schools	RCCIs	Summer Camps	Non-RCCIs
Northeast Region								
ROAP Maine							ALL	
ROAP New York	ALL	ALL			W. Point Only			
Mid-Atlantic Region								
ROAP Delaware			PRIVATE		PRIVATE			
ROAP Virginia	ALL	ALL	PRIVATE	PRIVATE	PRIVATE	PRIVATE	ALL	ALL
Southeast Region								
ROAP Alabama			PRIVATE	PRIVATE	PRIVATE	PRIVATE		Church Affiliated
ROAP Georgia		ALL		PRIVATE		PRIVATE	ALL	ALL
ROAP S. Carolina	ALL*	ALL	PRIVATE	ALL	PRIVATE	ALL	ALL	ALL
ROAP Tennessee	ALL	ALL	PRIVATE	PRIVATE	PRIVATE	PRIVATE	ALL	ALL
Midwest Region								
ROAP Michigan		ALL						
ROAP Minnesota		ALL						
Mountain Plains								
ROAP Colorado	ALL		PRIVATE	"NON-SCHOOLS"	PRIVATE	"NON SCHOOLS"		ALL
ROAP Kansas		ALL						
ROAP Missouri	ALL	ALL		PUBLIC "NON-SCHOOLS"		PUBLIC "NON-SCHOOLS" PRIVATE	ALL	ALL
ROAP Nebraska	ALL	ALL	PRIVATE	PUBLIC "NON-SCHOOLS," PRIVATE	PRIVATE	PUBLIC "NON-SCHOOLS" PRIVATE	ALL	ALL
ROAP N. Dakota		ALL					ALL	
ROAP Wyoming		ALL						

Name of State	Child Care Food Program	Summer Food Service Program	National School Lunch Prog. (incl. Commodity School Prog.)/School Breakfast Program		Special Milk Program			
			Schools	RCCIs	Schools	RCCIs	Summer Camps	Non-RCCIs
Western Region								
ROAP Alaska		ALL						
ROAP California		ALL						
ROAP Hawaii	ALL	ALL	PRIVATE	PRIVATE	PRIVATE	PRIVATE	ALL	ALL
ROAP Oregon	ALL	ALL					CCFP INSTS.	CCFP INSTS.
ROAP Washington	ALL	ALL	PRIVATE	ALL	PRIVATE	ALL	ALL	ALL

* The South Carolina Department of Social Services will assume administrative responsibility for the Child Care Food Program as of July 1, 1984.

NOTE: It should be assumed that the programs are State operated when it is not specifically designated that FNS operates the programs.

OBJECT CLASSIFICATION SCHEDULE

Question: The budget justification materials in Fiscal Year 1984 indicated that $35.7 million would be spent for object class 25, other services, in Fiscal Year 1984. The justification material for the Fiscal Year 1985 budget now estimates that $76.4 million will be spent in this area. Please explain this increase.

Answer: In the Fiscal Year 1985 budget the costs related to work registration/job search activities are included with State Administrative Expenses. The costs related to work registration/job search ($31.7 million in Fiscal Year 1984) are reflected in the Fiscal Year 1985 budget under object class 41.0, grants, subsidies, and contributions and are therefore not under object class 25.0, other services, as they are in Fiscal Year 1984. Also, $10.3 million was inadvertently budgeted under other services in Fiscal Year 1984 that should have been budgeted under grants, subsidies, and contributions.

SUBCOMMITTEE RECESS

Senator COCHRAN. I appreciate so much your cooperation with the subcommittee in being here today. Again I apologize for the late start, but I thank you for the excellent cooperation you gave the subcommittee. I appreciate that.

We will now stand in recess until Wednesday, March 21, when we will hear from representatives of the Soil Conservation Service and the Agricultural Stabilization and Conservation Service. That hearing will be held at 2 p.m. in room SD-192. That same day, beginning at approximately 3 p.m. in the same room we will also hear from representatives of the Commodity Credit Corporation, the Foreign Agricultural Service, and the Office of International Cooperation and Development.

Until then we stand in recess. Thank you.

[Whereupon, at 3:28 p.m., Wednesday, March 14, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, March 21.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MARCH 21, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:37 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senator Cochran.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

STATEMENTS OF:

JOHN B. CROWELL, ASSISTANT SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT

PETER C. MYERS, CHIEF, SOIL CONSERVATION SERVICE

DANIEL AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

ACCOMPANIED BY BOB SHERMAN, DEPUTY BUDGET OFFICER, U.S. DEPARTMENT OF AGRICULTURE

INTRODUCTION OF FIRST PANEL

Senator COCHRAN. The subcommittee will come to order.

This afternoon we will hear from representatives of several agencies within the Department of Agriculture. The first panel will focus on the conservation activities of the Soil Conservation Service and the Agricultural Stabilization and Conservation Service. Mr. John B. Crowell, Jr., Assistant Secretary of Agriculture for Natural Resources and Environment, will lead off this panel. He is accompanied by Peter Myers, Chief of the Soil Conservation Service; Everett Rank, Administrator of the Agricultural Stabilization and Conservation Service; and their colleagues, along with Bob Sherman, the Department's Deputy

Budget Officer. Also joining our first panel today is Daniel Amstutz, Under Secretary for International Affairs and Commodity Programs.

USDA CONSERVATION PROGRAMS

The Soil Conservation Service provides professional technical assistance to landowners and local government officials. Since fiscal year 1981, an increasing portion of the Soil Conservation Service's total program has been set aside for additional assistance in target areas. The Agricultural Stabilization and Conservation Service administers some very important conservation programs which provide cost-share assistance to farmers and landowners. These programs include the agricultural conservation program, the forestry incentives program, the water bank program, and the emergency conservation program.

The budget proposes $725 million for the Department's soil and water conservation programs. Funding for technical assistance, soil surveys, research, and analysis would be continued at about the fiscal year 1984 levels; however, funding for watershed construction and financial assistance would be reduced by $244 million.

Gentlemen, we welcome you all here. We have copies of your prepared statements which will, of course, be made a part of the record in full. We will ask you to summarize and make such statements as you feel are appropriate. I do have several questions, but I may have to submit some of them to you in writing and ask that you reply for the record. Our second panel is scheduled for 2:30 p.m.

I ask you, Mr. Crowell, to please proceed.

Mr. CROWELL. Thank you, Mr. Chairman.

Senator COCHRAN. Let me point out before we begin that we are going to have to vote over on the floor of the Senate at 2 o'clock, and because of that this is going to be kind of an abbreviated hearing. I hope you will understand that that does not mean we are not interested in your statement, but we hope you will be able to summarize it and make a brief statement to the committee.

Mr. CROWELL. I will do my best, Mr. Chairman.

FUNDING FOR USDA CONSERVATION PROGRAMS

We are pleased to be here today to support the 1985 budget request for the Department's soil and water conservation programs.

Once again the executive branch has had to make some very difficult decisions in developing the 1985 budget request for the Soil Conservation Service and other agencies. The budget levels proposed reflect a continuation of the President's program of fiscal restraint for discretionary spending.

Conservation is a high priority for the administration and is one of the major concerns of Secretary Block. His actions to address conservation problems through the recently announced conservation acreage reserve program, his emphasis on conservation practices which will accompany acreage diversions this year, and the administration's support for so-called "sod-busting" legislation, all attest to the Secretary's commitment to soil and water conservation.

The national conservation program submitted to the Congress by the President in December 1982 also demonstrates our determination to address the serious conservation problems facing our Nation today. Implementation of the national conservation program will ensure that an efficient and effective Federal-nonfederal partnership effort can be continued within a broad range of possible funding levels.

The fiscal year 1985 proposed budget, despite proposed reductions, will provide for a more effective conservation program, dollar for dollar, than the 1984 program. Funding for USDA conservation technical assistance, soil surveys, research and analysis will remain about the same as they were in 1984. The principal budget cuts are in watershed construction and in the financial assistance programs.

Increased targeting to the most critical geographical problem areas, both with technical assistance and with cost sharing, will help to stretch the appropriated dollars so that we achieve the most effective results.

I want to highlight for the committee some of the major findings that are included in the Resources Conservation Act progress report that will be submitted to the Congress shortly. The report covers fiscal year 1983, and indicates that we have made substantial progress in strengthening our USDA soil and water conservation efforts.

USDA agencies have increased the percentage of funds addressing the top three national conservation program priorities—those three priorities being soil erosion control, upstream flood damage reduction, and water conservation—from 54 percent in 1981 to 69 percent in 1983.

Targeting to critical areas by both the Soil Conservation Service and the Agricultural Stabilization and Conservation Service has produced significantly higher accomplishments per dollar compared with the nontargeted program.

Improvements have been made in the way technical assistance funds are allocated so as to give greater emphasis to current resource conditions and to national conservation program priorities.

Conservation tillage has increased dramatically and is still growing.

Pilot projects were started in fiscal year 1983 in Alabama, South Dakota, and Idaho to test the feasibility of differing incentives for long-term conversion of highly eroding lands to either grass or to trees.

It is through these efforts, combined with the strengthened State and local government and private sector efforts, that we can proudly say we have a better conservation program today than we had yesterday and that we will have a better program tomorrow than we have today.

As Mr. Myers explains the details of the Soil Conservation Service fiscal year 1985 budget, you will recognize some of the same features that have appeared in prior year budget proposals: termination of the resource conservation and development program; significant reductions in watershed construction and cost-sharing programs; and cutbacks in project planning. These reductions will be painful, but they are necessary as part of the overall plan to restore full health and vitality to our economy.

PREPARED STATEMENT

Mr. Chairman, that concludes my summary of my statement and I will be pleased to answer any questions.

Senator COCHRAN. Thank you very much, Mr. Crowell.

[The statement of John B. Crowell follows:]

STATEMENT OF JOHN B. CROWELL, JR.

Mr. Chairman and members of the Committee, I am pleased to be here today to support the 1985 budget request for the Department's soil and water conservation programs. Mr. Peter Myers, Chief of the Soil Conservation Service, and some members of his staff are here with me. Mr. Myers will present a statement in support of the budget, and he and his staff will help me respond to your questions. Mr. Everett Rank, Administrator of the Agricultural Stabilization and Conservation Service will testify tomorrow.

NEED FOR BUDGET RESTRAINT

Mr. Chairman, once again, the Executive Branch has had to make some very difficult decisions in developing the 1985 Budget request for the Soil Conservation Service and other agencies. The budget levels proposed reflect a continuation of the President's program of fiscal restraint for discretionary spending. Huge Federal deficits must be controlled and reduced if long term economic health is to be restored to this country. Controlling Federal spending is the major way to accomplish this. The 1985 proposed budget of $725 million for the Soil Conservation Service as well as other Federal programs were considered and decided upon in the context of this overriding objective.

IMPORTANCE OF SOIL AND WATER CONSERVATION

The budget levels proposed for the Soil Conservation Service and other USDA conservation programs do not mean that we assign a low priority to soil and water conservation. Indeed, conservation is a high priority for the Administration and is one of the major concerns of Secretary Block. His actions to address conservation problems through the recently announced conservation acreage reserve program, his emphasis on conservation practices to accompany acreage diversions, and the Administration's support for so-called sod-busting legislation all attest to the Secretary's commitment to soil and water conservation.

The National Conservation Program or NCP, submitted to the Congress by the President in December 1982, under the direction of the 1977 Soil and Water Resources Conservation Act or RCA, also demonstrates our determination to address the serious conservation problems facing our nation today. While economic conditions will dictate how much Federal financing can be devoted to this priority in any given year, the implementation of the NCP will ensure that an efficient and effective Federal-Nonfederal partnership effort can be continued within a broad range of possible funding levels.

The FY 1985 proposed program, despite proposed reductions, will provide for a more effective conservation program, dollar for dollar, than the 1984 program. Funding for USDA conservation-related technical assistance, soil surveys, research and analysis will remain about the same as the 1984 program. The principal budget cuts are in the watershed construction and financial assistance programs where reductions can be made without destroying the basic program delivery system and where the programs can be revived when the fiscal situation improves. Increased targeting to the most critical geographical problem areas and a greater focusing of the total soil and water conservation program on the three highest NCP priorities--soil erosion control, upstream flood damage reduction and water conservation--will result in a more effective program approach for FY 1985.

1983 RCA PROGRESS REPORT

Chief Myers will present a statement covering the details of the FY 1985 budget for the Soil Conservation Service. Before he does that, I want to highlight for the Committee some of the major findings included in the 1983 RCA progress report that will be submitted to the Congress shortly. The report covers FY 1983 and indicates that we have made substantial progress in strengthening our USDA soil and water conservation efforts. Key points are:

-- USDA agencies have increased the percentage of funds addressing the top three NCP priorities from 54% in 1981 to 69% in 1983.

-- Targeting to critical areas by the Soil Conservation Service and the Agricultural Stabilization and Conservation Service has produced significantly higher accomplishments per dollar compared with the non-targeted program. I will provide a table for the record showing comparisons for 1983, 1984 and 1985.

-- Improvements have been made in the way technical assistance funds are allocated so as to give greater emphasis to current resource conditions and to NCP priorities and less emphasis to "historical" shares.

-- The conservation partnership has been strengthened by the preparation of multi-year conservation plans by forty States and by increases in funds of states and local governments applied to conservation.

-- Conservation tillage has increased dramatically and is still growing, in large part because of significant private contributions and emphases such as the Conservation Tillage Information Center and by SCS Soil Conservationists working with individual farmers.

-- Pilot projects were started in FY 1983 in Alabama, Idaho, and South Dakota to test the feasibility of different incentives for long-term conversion of highly eroding cropland to grass or trees.

-- The Economic Research Service has initiated an intensive study of the relationship between USDA commodity and conservation programs with the aim of identifying program provisions that discourage conservation.

-- Improved reporting systems have been installed in the Soil Conservation Service and the Agricultural Stabilization and Conservation Service to gather better data on conservation accomplishments. This data will be used in evaluating conservation progress and making further adjustments in conservation programs if necessary.

SUMMARY

It is through these efforts, combined with the strengthened State and local government and private sector efforts, that we can proudly say we have a better conservation program today than we had yesterday and that we will have a better program tomorrow than we have today.

As Mr. Myers explains the details of the Soil Conservation Service FY 1985 budget, you will recognize some of the same features that have appeared in prior year budget proposals: termination of the Resource Conservation and Development program; significant reductions in watershed construction and cost-sharing programs, and cutbacks in project planning. These reductions will be painful, but they are necessary as part of the overall plan to restore full health and vitality to our economy. We all must recognize that we need to make some short-term sacrifices in order to re-establish a sound fiscal base to support conservation and other high priorities over the long-term.

Mr. Chairman, that concludes my statement. I will be pleased to answer any questions.

UNITED STATES DEPARTMENT OF AGRICULTURE

Analysis of Soil and Water Conservation Problems, and Estimated Levels and Accomplishments of SCS Technical Assistance on Base and Targeted Areas, 1983, 1984, and 1985

Problem Category		Potential Assistance level		Accomplishments						Performance	
				Benefitted		Protected		Erosion Prevented		Soil Saved	
	Total	Base	Targeted	Base	Targeted	Base	Targeted	Base	Targeted	Base	Targeted
	Million Acres							Million Tons		Tons/Acres Treated	
Cropland Erosion:a/											
1983:											
Less than T to T	256.8	232.9	23.9	7.6	1.6	4.3	0.7	10.0	2.1	1.3	1.3
T to 2T	73.8	58.2	15.6	6.6	1.7	3.8	1.1	28.0	8.3	4.2	4.9
More than 2T	82.7	62.4	20.3	7.7	1.7	4.4	0.6	37.0	18.4	4.8	10.8
Total	413.3	353.5	59.8	21.9	5.0	12.5	2.4	75.0	28.8	3.4	5.8
1984:											
Less than T to T	256.8	212.9	43.9	3.8	2.4	1.0	1.3	7.6	2.3	2.0	.9
T to 2T	73.8	45.1	28.7	4.6	2.7	5.0	2.4	18.9	12.5	4.1	4.6
More than 2T	82.7	50.4	32.3	4.8	3.0	4.0	1.3	27.1	36.6	5.6	12.2
Total	413.3	308.4	104.9	13.2	8.1	10.0	5.0	53.6	51.4 b/	4.1	6.3
1985:											
Less than T to T	256.8	200.9	55.9	3.2	3.1	.8	1.6	6.4	4.0	2.0	1.3
T to 2T	73.8	40.0	33.8	3.8	3.5	4.5	3.1	15.6	19.1	4.1	5.5
More than 2T	82.7	44.5	38.2	4.0	3.9	3.6	1.6	28.7	55.1	7.2	14.1
Total	413.3	285.4	127.9	11.0	10.5	8.9	6.3	50.7	78.2	4.6	7.4

				Treated		Water Conserved		Performance	
								Water Savings	
				Base	Targeted	Base	Targeted	Base	Targeted
	Million Acres					Million Acre Feet		Feet/Acre Treated	
Water Conservation									
Irrigated cropland:									
1983	62.5	42.5	20.0	8.1	0.55	1.70	0.28	.21	.5
1984	62.5	40.9	21.6	8.3	0.75	1.70	0.35	.21	.5
1985	62.5	40.8	21.7	8.0	0.95	1.60	0.41	.20	.4

a/ T = soil loss tolerance. Distribution of cropland acres by erosion category includes wind erosion as well as sheet and rill erosion. Distribution was made according to actual T rather than an assumed T of 5; therefore, it differs from data displayed in the 1980 Appraisal Part I, Table 34.

b/ Revised estimate.

Revised:2-21-84

SOIL CONSERVATION SERVICE

Senator COCHRAN. Mr. Myers, do you have a statement on the Soil Conservation Service?

Mr. MYERS. Yes, Mr. Chairman.

Thank you for allowing us to appear again. I do have a written statement which, as you mentioned, will be in the record, and I will try to highlight it.

Soil erosion is a serious problem which threatens the long-term productivity of some agricultural lands. In recognition of this problem, the President sent the national conservation program to the Congress just over 1 year ago. The President, Secretary Block, and the Soil Conservation Service are committed to this program which presents a realistic and effective game plan for dealing with our soil and water resource problems over the next few years.

Our primary emphasis over the past year has been on implementing the national conservation program. One of the key features of the program is the targeting of SCS and other USDA programs to areas with critical resource problems.

Our targeting program completed its second full year of operation in 1983, and we are seeing positive results. In less than 3 years we have been able to reduce erosion on more than one-fourth of the cropland in these original targeted areas. Water conservation targeting resulted in conserving 276,000 acre-feet of water on 549,000 acres of irrigated cropland. The Agricultural Stabilization and Conservation Service has been targeting cost-sharing assistance provided under the agricultural conservation program since fiscal year 1982 as a joint effort with our targeted technical assistance. State and local agencies have added additional resources in many instances.

During fiscal year 1984, we will be targeting 10 percent of our conservation technical assistance program funds, or $27.5 million. We are taking many other actions to implement the national conservation program. I won't go into the detail on the different line items, because you have that. I would like to say that the staff-year levels for fiscal year 1985 in our budget request would fund 13,290 staff-years of employment, compared to our fiscal year 1984 ceiling of 13,500 staff-years. For 1985, the reductions in our staffing levels are tied primarily to reduced construction activities and proposed decreases in ASCS cost-sharing programs, such as ACP, for which SCS normally provides the technical assistance.

In summary, the course of action reflected in the 1985 budget request for the Soil Conservation Service results from the need to deal with two important national priorities: One, achieving a healthy economy and, two, conserving our soil and water resources to protect agricultural productivity. This budget is designed to address both of these priorities. It enables us to provide an effective nationwide program with emphasis on accelerating technical services to farmers and ranchers in areas with the most severe resource problems. Other activities such as construction work will take a lower priority until Federal deficits can be controlled and the economy stabilized.

I am providing a table for the record which provides a summary of the precise numbers for each budget account and a table which provides a National Summary of the Contributions of Funds and Services by non-SCS sources, such as State and local governments. These contributions totaled approximately $320 million for 1983. This is concrete evidence that the people of this country have the interest in and support for soil and water conservation.

PREPARED STATEMENT

Mr. Chairman, that concludes my statement and I, too, will be glad to answer any questions.

Senator COCHRAN. Thank you very much, Mr. Myers.

[The statement of Peter C. Myers follows:]

STATEMENT OF PETER C. MYERS

Mr. Chairman and members of the Committee, it is a pleasure to appear before you once again to discuss our mutual concerns for the conservation of our country's soil and water resources and to present the fiscal year 1985 budget request for the Soil Conservation Service.

Soil erosion is a serious problem which threatens long-term productivity of some agricultural lands. In recognition of this problem, the President sent the National Conservation Program to the Congress just over a year ago. The President, Secretary Block, and the Soil Conservation Service are committed to this program, which presents a realistic and effective game plan for dealing with our soil and water resource problems over the next few years. The program calls for spending two-thirds of all USDA conservation program funds in support of our three highest priorities of reducing soil erosion, controlling upstream flooding, and improving water conservation. By focusing our efforts on the most critical resource problems, we believe that the effectiveness of our programs can be increased even during these difficult economic times when Federal spending must be constrained.

Our primary emphasis, then, in the Soil Conservation Service over the past year has been on implementing the National Conservation Program. One of the key features of the program is, of course, the targeting of SCS and other USDA programs to areas with critical resource problems.

Our targeting program completed its second full year of operation in 1983 and we are seeing positive results. During FY 1983 farmers and ranchers reduced soil erosion by nearly 29 million tons on 5 million acres in 339 counties through increased application of soil conservation and water management. This averages out to almost six tons of soil loss prevented per acre in those counties. The benefits of targeting are most apparent in the 10 States where additional erosion-control assistance has been available since fiscal year 1981 when the program was first started. In less than 3 years, we have been able to reduce erosion on more than one-fourth of the cropland in these original targeted areas. Water conservation targeting was carried out in 153 counties during FY 1983. This effort resulted in conserving 276,000 acre feet of water on 549,000 acres of irrigated cropland. We still have a long way to go, but we are encouraged by these indications that the program is working.

A key to the success of this effort has been the Agricultural Stabilization and Conservation Service, which has been targeting cost-sharing assistance provided under the Agricultural Conservation Program since FY 1982 as a joint effort with our targeted technical assistance. State and local agencies have added additional resources in many instances. This kind of cooperative effort permits conservation resources and expertise to be focused where the need is greatest and where the nation can benefit the most from the Federal investment.

During fiscal year 1984, SCS will be targeting 10 percent of its Conservation Technical Assistance program funds or $27.5 million to accelerate erosion control and water conservation on 129 million acres of cropland in 808 counties in 44 States and Puerto Rico. Our 1985 Budget request would designate $40.6 million or 15 percent of CTA funds for targeting on 160 million acres in 917 counties in 49 States.

Other actions we are taking to implement the NCP include:

-- encouraging more farmers and ranchers to adopt cost-effective conservation systems such as conservation tillage

-- starting three pilot projects to test various ways of convincing land users to convert marginal or fragile lands to grass and trees.

-- emphasizing watershed protection through land treatment as an important component of watershed project activities.

-- working with the Farmers Home Administration to implement the requirement for a conservation plan on land for which a farm-ownership loan or soil and water loan is to be used.

We plan to continue these actions in FY 1984 and beyond as the NCP is put into place.

At this point, I will turn to the details of our 1985 budget request.

For fiscal year 1985, the budget requests a $475 million appropriation for the Soil Conservation Service. Compared to the 1984 Appropriation level, this is a decrease of $126.7 million or about 21 percent. Although this FY 1985 budget is a constrained one, we believe we can continue to provide an effective conservation program during this time when a higher priority must be placed on ensuring the health of the Nation's economy.

We must improve the way we manage and deliver our programs so that every dollar spent puts the most conservation on the ground. By continuing the steps we have taken this past year to implement the NCP we will be able to meet this challenge for the immediate future. Reductions proposed in the 1985 budget request are primarily in our construction activities that are more long-term in nature and that can be delayed with less of an adverse consequence until the budget situation improves.

The budget also reflects a reduction of $1.2 million, distributed among all our accounts, which is part of a government-wide effort to reduce costs through management efficiencies. These are to be achieved by streamlining our administrative support functions and by improved position management with emphasis on the GS/GM 11-15 levels. This is a long-term effort expected to produce a total cumulative savings to SCS of $31.2 million over the next five years.

There also is a $4.7 million increase distributed throughout the SCS accounts reflecting an adjustment for the January 1984 pay costs to reflect full year costs and amounts absorbed in 1984 but needed in 1985.

Conservation Technical Assistance

For fiscal year 1985, the budget requests $270.4 million for Conservation Technical Assistance provided through local soil and water conservation districts. This is a decrease of $4.6 million compared with the 1984 appropriation and includes a redirection of $12.9 million from base program operations to increase our targeting program effort from 10 percent of the total CTA program in 1984 to 15 percent in 1985. Although this will result in a reduction of approximately 7.5% in base program operations on a nationwide basis, overall accomplishments in terms of tons of soil erosion prevented will actually increase because of the more effective use of the redirected funds in targeted critical areas. We believe we can maintain a strong base program to address critical soil and water conservation problems at the proposed funding level.

Supporting Activities

Supporting our Conservation Technical Assistance Program, including our targeted effort, are Inventory and Monitoring, Soil Surveys, Snow Survey and Water Forecasting, Operation of Plant Materials Centers, and Resource Appraisal and Program Development. For fiscal year 1985, the budget requests $80.3 million for these supporting programs which is slightly above the 1984 funding level of $80.1 million. These activities will continue to be operated at the same level as in 1984 with adjustments for pay costs and management savings.

River Basin Program

For River Basin Surveys and Investigations, the Budget includes $13.6 million, a net decrease of $2.1 million compared to the 1984 funding level. Although this will reduce the number of cooperative River Basin studies and flood plain management studies we will be able to complete in 1985, we will be increasing the number of new River Basin studies initiated from 9 in 1984 to 14 in 1985. This reflects our move away from the high-cost comprehensive inventories done in the past to lower-cost studies that focus on identifying the most severe conservation problems and their solutions in accordance with the priorities set forth in the National Conservation Program. These focused studies are more useful in identifying potential targeted areas and in supporting action programs in developing cost-effective approaches for solving critical resource problems.

Watershed Programs

Because of the pressing need to reduce the rate of growth in Federal spending, the 1985 Budget again proposes to reduce planning and construction work for the Watershed and Flood Prevention Operations program. Watershed construction is an appropriate activity to reduce since many project measures would not yield future returns equivalent to the current cost of Federal borrowing. The program could be readily accelerated in subsequent years when fiscal policy is more accommodating and there is more need to lower the risk of crop shortages. These activities would be funded at $94.0 million,--$97.9 million less than the 1984 appropriation. The President also is requesting that $8.1 million be transferred from Public Law 566 construction funds in 1984 to fund pay increase costs in other SCS accounts. If this transfer is approved, the 1985 decrease for these accounts would be $89.8 million compared to 1984.

Watershed Planning would be decreased by about $800,000. The proposed funding level of $7.9 million for 1985 will be adequate to maintain a staff of experienced watershed planning specialists to complete high priority plans now in progress. No new planning starts would be initiated.

No new construction starts are planned for FY 1985 within the eleven Flood Prevention projects authorized under Public Law 534 or for small watershed projects authorized under Public Law 566. Work on high priority ongoing projects would continue at a reduced rate. The budget request includes $15.5 million for PL-534 projects compared with the 1984 level of $23.2 million. For Watershed Operations under PL-566, the requested amount of

$65.5 million is a reduction from the adjusted 1984 level of $141.9 million. A portion of this decrease, $17 million, is to offset part of the $100 million 1983 Jobs Bill money that accelerated ongoing work.

The Budget also proposes a decrease of $5 million for Emergency Watershed Protection. This would leave a funding level of $5 million for Emergency Watershed Operations work which should be sufficient to meet emergency needs during FY 1985. Supplemental funds could be requested if our emergency needs exceed the amount of funds available.

Great Plains Conservation Program

For the Great Plains Conservation Program, the Budget requests $16.8 million, a net decrease of $4.5 million compared to 1984. This reduction is mainly in financial assistance and construction contracting activities and will come entirely from funds ordinarily used for new cost share contracts. We will honor our existing contract commitments to GPCP cooperators and also will be able to sign about 400 new contracts. To ensure that we address the highest priority needs in this important agricultural region, we will target 15 percent of program funding available for new contracts to nationally identified critical resource problems in accordance with the National Conservation Program. Remaining funds will be prioritized based on local resource conditions and conservation needs.

Resource Conservation and Development

Funding for the Resource Conservation and Development Program is not included in the FY 1985 Budget. No further planning or financial assistance would be provided and the SCS coordinators and support personnel would be terminated or transferred to other activities. The resource and economic development objectives are locally oriented and should be primarily the responsibility of state and local governments. Federal technical assistance would continue to be available to RC&D councils under other SCS programs.

STAFF-YEAR LEVELS

The fiscal year 1985 Budget request would fund 13,290 staff years of employment compared to our FY 1984 ceiling of 13,500 staff years. For 1985 the reductions in our staffing levels are tied primarily to reduced construction activities and proposed decreases in ASCS cost-sharing programs such as ACP for which SCS normally provides the required technical assistance.

SUMMARY

The course of action reflected in the 1985 Budget request for the Soil Conservation Service results from the need to deal with two important national priorities --one-- achieving a healthy economy and --two-- conserving our soil and water resources to protect agricultural productivity. This budget is designed to address both of these priorities. It enables us to provide an effective nationwide program with emphasis on accelerating technical services to farmers and ranchers in areas with the most severe resource problems. Other activities such as construction work will take a lower priority until Federal deficits can be controlled and the economy stabilized.

I am providing a table for the record which provides a summary of the precise numbers for each budget account and a table which provides a National Summary of the Contributions of Funds and Services by Non-SCS sources, such as State and local governments. These contributions totaled approximately $320 million for 1983. This is concrete evidence that the people of this country have the interest in and support for soil and water conservation.

Mr. Chairman, that concludes my prepared statement. With the help of my staff, I will be happy to answer your questions.

SOIL CONSERVATION SERVICE
FY 1985 BUDGET
($ in thousands)

	1983 a/	1984 Current Estimate b/	Proposed Changes: Program	Proposed Changes: Pay Cost Adjustment	Proposed Changes: Management Reduction	1985 Budget Estimate
CONSERVATION OPERATIONS:						
1. Technical Assistance	$251,419	$274,979	-$5,634	+$1,782	-$726	$270,401
2. Inventory and Monitoring	19,505	14,395	--	+89	-43	14,441
3. Soil Surveys	51,423	53,517	--	+284	-141	53,660
4. Snow Surveys and Water Forecasting	3,796	3,904	--	+16	-7	3,913
5. Operation of Plant Materials Centers	3,836	3,980	--	+29	-10	3,999
6. Resource Appraisal and Program Development	5,995	4,310	--	+9	-3	4,316
Total, Conservation Operations	335,974	355,085 b/	-5,634	+2,209	-930	350,730
RIVER BASIN SURVEYS AND INVESTIGATIONS:						
1. USDA Cooperative Studies	11,240	11,575	-1,584	+222	-19	10,194
2. Flood Plain Management Assistance	2,990	2,369	-387	+61	-5	2,038
3. Interagency Coordination and Program Formul.	2,189	1,675	-384	+36	-3	1,324
Total, River Basin Surveys and Investigations	16,419	15,619	-2,355	+319	-27	13,556
WATERSHED PLANNING AUTHORIZED BY PL-566	8,877	8,675	-960	+203	-20	7,898
WATERSHED AND FLOOD PREVENTION OPERATIONS:						
1. Watershed operations authorized by PL-534:						
a. Technical Assistance	15,277	13,083	-411	+402	-30	13,044
b. Financial Assistance for construction	22,704	9,898	-7,579	--	--	2,319
c. Loan Services	219	219	-31	+6	-1	193
Subtotal, Flood Prevention	38,200	23,200	-8,021	+408	-31	15,556
2. Emergency Watershed Protection Operations	22,500	10,000	-5,000	--	--	5,000
3. Small watersheds authorized by PL-566:						
a. Technical Assistance	85,633	61,996	-11,850	+1,246	-148	51,244
b. Financial Assistance for construction	160,646	79,420	-65,538	--	--	13,882
c. Loan Services	446	446	-60	+12	-1	397
Subtotal, Watershed Operations	246,725	141,862 b/	-77,448	+1,258	-149	65,523
Total, Watershed and Flood Prevention Operations	307,425	175,062 b/	-90,469	+1,666	-180	86,079
GREAT PLAINS CONSERVATION PROGRAM:						
1. Cost-sharing assistance	12,215	12,253	-4,794	--	--	7,459
2. Cost-share programming and contract admin.	2,900	2,900	--	+89	-8	2,980
3. Technical Assistance	6,200	6,162	--	+188	-17	6,334
Total, Great Plains Conservation Program	21,315	21,315	-4,794	+277	-25	16,773
RESOURCE CONSERVATION AND DEVELOPMENT:						
1. Technical Assistance	16,143	16,814	-16,814	--	--	--
2. Financial Assistance	14,435	9,020	-9,020	--	--	--
3. Loan Services	166	166	-166	--	--	--
Total, Resource Conservation and Development	30,744	26,000	-26,000	--	--	--
SCS Appropriated Funds	720,754	601,756	-130,212	+4,674	-1,182	475,036
Trust Funds	10,906	560	+140	--	--	700
Allocation from:						
Dept. of Interior for Rural Abandoned Mine Program	(6,155)	(10,582)	(-6,882)	--	--	(3,700)
USDA-ASCS for Colorado River Salinity program	--	--	--	--	--	(2,350)
Reimbursements from other agencies (non-add)	(39,182)	(55,660)	(-6,369)	--	--	(49,291)
Total, SCS	$731,660	$602,316	-$130,072	+$4,674	-$1,182	$475,736
Full-time Equivalent Staff Years	14,156	13,500	-184	--	-26	13,290

a/ 1983 includes the Jobs Bill Supplemental of $112,500,000: $5.0 million for RC&D; $7.5 million for Emergencies; $100.0 million for PL-534/566 construction ($15 million for PL-534 and $85 million for PL-566).

b/ Assumes passage of pay cost legislation transferring $8,138,000 from Small Watershed Operations, PL-566, to other accounts as follows:

	Amount (000's)
Conservation Technical Assistance	$6,474
Inventory and Monitoring	297
Soil Surveys	1,193
Snow Surveys and Water Forecasting	61
Operation of Plant Materials Centers	85
Resource Appraisal and Program Development	28
Total	$8,138

SCS:BPAD:02-13-84:Revised

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 1

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO SOIL AND WATER CONSERVATION DISTRICTS PROGRAM FISCAL YEAR 1983 - (DOLLARS)

STATE	STATE GOVERNMENT	LOCAL GOVERNMENT	OTHER	FEDERAL NON-SCS	TOTAL
ALABAMA	1,318,272	870,720	1,295,915	0	3,484,914
ALASKA	2,823,199	191,250	228,902	40,000	3,283,351
ARIZONA	302,651	1,846,495	615,185	260,526	3,024,857
ARKANSAS	3,409,800	2,246,800	5,124,400	85,900	10,866,900
CALIFORNIA	1,986,000	9,248,143	4,298,993	35,000	15,568,136
CARIBBEAN AREA	3,513,314	991,400	1,675,180	0	6,179,894
COLORADO	344,144	726,475	982,970	41,800	2,095,389
CONNECTICUT	233,500	191,000	506,925	0	931,425
DELAWARE	1,078,600	253,700	603,200	0	1,935,500
FLORIDA	148,030	655,379	288,221	0	1,091,630
GEORGIA	1,789,890	3,263,473	1,630,635	0	6,683,998
HAWAII	133,907	295,083	523,867	0	952,857
IDAHO	468,948	795,479	1,138,707	35,350	2,438,484
ILLINOIS	2,422,226	7,201,352	3,129,410	0	12,752,988
INDIANA	1,096,070	2,503,724	2,218,159	1,400	5,819,353
IOWA	10,841,545	3,017,374	3,685,343	1,400	17,545,662
KANSAS	2,083,815	3,604,830	3,317,637	3,334	9,009,616
KENTUCKY	3,920,852	1,234,806	1,473,167	500	6,629,325
LOUISIANA	4,849,000	2,370,000	3,513,000	90,000	10,822,000
MAINE	246,100	183,153	364,510	0	793,763
MARYLAND	1,135,377	1,445,868	513,163	11,350	3,105,758
MASSACHUSETTS	955,550	266,300	199,500	0	1,421,350
MICHIGAN	3,646,200	2,506,650	1,389,130	525,000	8,066,980
MINNESOTA	4,934,507	5,962,137	2,160,577	0	13,057,221
MISSISSIPPI	454,940	1,888,887	1,451,196	1,000	3,796,023
MISSOURI	3,124,470	2,291,850	5,372,440	26,850	10,815,610
MONTANA	843,998	1,323,951	1,452,779	160,400	3,781,128
NEBRASKA	5,127,679	9,509,561	712,994	58,027	15,408,261
NEVADA	14,700	189,261	266,566	20,000	490,527
NEW HAMPSHIRE	8,500	127,745	206,174	0	342,419
NEW JERSEY	400,910	2,321,500	201,350	0	2,923,760
NEW MEXICO	409,950	359,965	797,150	389,542	1,956,607
NEW YORK	908,543	4,924,144	2,145,912	0	7,978,599
NORTH CAROLINA	1,195,000	4,548,055	5,743,055	37,281	11,523,391
NORTH DAKOTA	485,635	1,606,560	492,412	0	2,584,607
OHIO	7,511,200	2,765,389	3,354,419	0	13,631,008
OKLAHOMA	3,689,525	3,107,620	4,285,639	0	11,082,784
OREGON	699,678	1,050,356	1,338,849	167,950	3,256,833
PENNSYLVANIA	962,281	2,811,128	1,493,555	600	5,267,564
RHODE ISLAND	41,300	48,330	46,240	0	135,870
SOUTH CAROLINA	1,647,375	1,063,336	795,435	35,000	3,541,146
SOUTH DAKOTA	70,541	428,718	277,209	128,075	904,543
TENNESSEE	448,247	1,210,723	847,063	80,575	2,586,608
TEXAS	2,609,090	4,407,967	4,786,747	203,400	12,007,204
UTAH	7,428,337	5,672,400	7,313,445	144,000	20,558,182
VERMONT	128,128	30,630	1,659,067	5,000	1,822,825
VIRGINIA	474,002	1,256,528	368,800	0	2,099,330
WASHINGTON	931,814	13,580,025	525,650	30,000	15,067,489
WEST VIRGINIA	1,266,010	2,678,635	289,420	0	4,234,065
WISCONSIN	3,068,677	3,160,840	9,068,601	23,500	15,321,618
WYOMING	1,035,436	654,049	499,979	9,200	2,198,664
TOTAL:	98,667,470	124,889,744	96,668,342	2,651,960	322,878,016

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 2

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO
SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1983 - (DOLLARS)

STATE	PROG ASSMNT	CONS PLAN	CONS APPL	SOIL SURVEY	SNOW SURVEY	WATERSHED	RC&D AREA	OTHER	TOTAL
ALABAMA	1,193,345	356,293	334,469	267,100	0	384,661	290,640	658,326	3,484,914
ALASKA	788,234	36,100	2,125,592	200,025	36,500	30,000	66,500	400	3,283,351
ARIZONA	209,164	87,934	661,873	262,326	1,200	1,656,763	56,465	89,132	3,024,857
ARKANSAS	3,087,200	783,200	3,236,900	87,800	0	2,059,700	1,239,900	372,200	10,866,900
CALIFORNIA	2,695,540	1,490,085	5,489,618	164,400	1,574,000	2,439,843	46,350	1,668,300	15,568,136
CARIBBEAN AREA	1,248,301	511,741	4,101,552	0	0	203,800	114,500	0	6,179,894
COLORADO	648,597	199,376	829,000	76,550	26,321	136,415	45,285	133,845	2,095,389
CONNECTICUT	277,945	63,500	100,000	28,050	0	95,500	360,180	6,250	931,425
DELAWARE	476,000	256,400	785,400	0	0	326,400	91,300	0	1,935,500
FLORIDA	540,775	95,284	422,826	6,000	0	24,360	2,385	0	1,091,630
GEORGIA	1,040,484	663,074	2,062,000	8,300	0	1,601,596	1,060,112	248,432	6,683,998
HAWAII	147,458	77,201	519,283	0	0	171,980	6,935	30,000	952,857
IDAHO	469,430	298,722	839,684	64,550	8,665	260,454	397,046	99,933	2,438,484
ILLINOIS	2,351,696	1,704,524	1,544,540	893,592	0	5,506,428	647,570	104,638	12,752,988
INDIANA	2,057,944	887,893	1,051,974	309,142	0	987,484	267,676	257,240	5,819,353
IOWA	4,320,834	551,336	3,933,099	770,828	0	1,098,881	534,629	6,336,055	17,545,662
KANSAS	2,101,443	745,861	1,836,532	26,457	0	3,861,778	208,249	229,296	9,049,616
KENTUCKY	1,378,043	236,506	823,183	215,683	0	823,091	218,283	2,934,536	6,629,325
LOUISIANA	1,890,000	428,000	2,124,000	425,000	0	5,715,000	215,000	25,000	10,822,000
MAINE	320,673	56,550	68,570	17,800	0	61,130	245,190	21,650	793,763
MARYLAND	703,921	948,508	1,066,976	15,700	0	179,080	490,647	100,926	3,105,758
MASSACHUSETTS	260,250	73,200	57,200	14,300	0	824,750	162,000	29,650	1,421,350
MICHIGAN	1,517,890	644,930	3,349,290	1,304,350	0	116,890	1,051,990	81,640	8,066,980
MINNESOTA	1,188,747	1,136,619	2,467,161	1,446,000	0	3,790,088	468,329	2,560,277	13,057,221
MISSISSIPPI	673,907	226,582	1,262,993	9,875	0	1,110,056	384,338	128,272	3,796,023
MISSOURI	2,279,310	709,200	4,462,450	491,280	0	1,323,640	416,260	1,133,470	10,815,610
MONTANA	1,042,609	584,408	1,356,589	312,757	42,560	286,134	156,071	0	3,781,128
NEBRASKA	3,085,075	922,398	5,823,459	548,027	0	2,433,427	717,810	1,878,065	15,408,261
NEVADA	169,631	46,788	157,694	20,000	200	50,314	2,900	43,000	490,527
NEW HAMPSHIRE	128,580	23,402	150,189	6,455	0	11,100	21,593	1,100	342,419
NEW JERSEY	556,385	212,175	102,000	24,000	0	1,310,200	683,500	35,500	2,923,760
NEW MEXICO	451,106	82,242	686,788	402,592	220	215,389	55,370	62,900	1,956,607
NEW YORK	1,390,284	1,292,874	3,170,819	310,519	0	1,299,993	303,554	210,557	7,978,600
NORTH CAROLINA	3,196,132	795,228	1,182,064	834,223	0	3,704,146	1,318,896	492,702	11,523,391
NORTH DAKOTA	635,024	169,952	811,721	158,477	0	633,627	147,846	27,960	2,584,607
OHIO	2,819,064	1,944,378	2,585,594	1,067,051	0	625,179	1,409,742	3,180,000	13,631,008
OKLAHOMA	1,623,043	1,555,681	3,707,672	94,000	0	2,958,315	274,135	869,938	11,082,784
OREGON	520,011	172,745	1,247,788	188,200	24,050	265,555	198,470	640,014	3,256,833
PENNSYLVANIA	2,846,235	814,185	882,768	8,200	0	387,541	207,490	121,145	5,267,564
RHODE ISLAND	41,050	24,680	15,290	5,300	0	9,700	39,350	500	135,870
SOUTH CAROLINA	1,085,387	319,452	683,180	129,775	0	647,830	122,500	553,022	3,541,146
SOUTH DAKOTA	361,036	69,126	213,921	201,379	0	5,450	15,048	38,582	904,542
TENNESSEE	801,751	254,119	522,772	238,275	0	306,166	391,424	72,101	2,586,608
TEXAS	2,869,073	2,051,271	3,551,103	380,246	0	1,935,220	785,535	434,756	12,007,204
UTAH	251,625	1,159,830	977,440	173,700	24,800	466,895	176,892	17,327,000	20,558,182
VERMONT	117,523	20,110	1,109,850	11,100	0	494,551	34,041	35,650	1,822,825
VIRGINIA	559,078	142,346	246,527	391,500	0	594,471	68,572	96,836	2,099,330
WASHINGTON	62,117	1,126,761	491,811	338,000	17,600	231,000	12,800,200	0	15,067,489
WEST VIRGINIA	274,795	152,650	254,760	12,420	0	3,398,710	39,230	101,500	4,234,065
WISCONSIN	1,880,975	923,814	9,428,658	206,825	0	313,669	129,749	2,437,928	15,321,618
WYOMING	320,647	95,442	321,546	20,836	9,867	18,272	1,346,182	65,872	2,198,664
TOTAL:	60,955,367	27,824,676	85,238,168	13,189,045	1,765,983	57,392,622	30,534,059	45,978,096	322,878,316

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Senator COCHRAN. Secretary Amstutz, do you have any comments to make at this time?

Mr. AMSTUTZ. Thank you, Mr. Chairman.

In the interest of time I would just like to call on Everett Rank, the Administrator of the ASCS, to talk about our ASCS conservation programs.

[CLERK'S NOTE.—Mr. Amstutz's prepared statement and biography appear on pp. 633–39.]

Senator COCHRAN. Thank you very much.

Mr. RANK. Thank you, Mr. Chairman.

Once again it is a pleasure to appear before this committee. My statement has been introduced into the record, and for the sake of time I would like just to respond to questions, Mr. Chairman.

[The statement of Everett Rank follows:]

STATEMENT OF EVERETT RANK

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to present the proposed fiscal year 1985 budget for the Agricultural Stabilization and Conservation Service. I would like to take this opportunity to review our proposal for an expanded salinity control initiative in the Colorado River Basin, review our current and planned activities in our nationwide conservation effort, and also discuss commodity program activities.

Salinity Control

For fiscal year 1985, we are again proposing a single appropriation of $12.6 million in the ASCS budget to consolidate USDA funding for the Colorado River Basin Salinity Control Program. The Administration has proposed legislation to provide the necessary authority for carrying out a consolidated program. That proposal was introduced as S. 1842 on September 14, 1983. On November 16, 1983, the House passed H.R. 3903, a measure similar to S. 1842. We are hopeful that the Senate likewise will act to authorize the program. We believe that acceleration of the existing salinity control effort through the consolidated program is needed in order to achieve meaningful results.

In the last decade, the Congress wisely recognized the deleterious effects and the economic loss resulting from the salt loading of the Colorado River. For fiscal year 1979 the Department of Agriculture was requested to use $1.8 million to begin cost sharing an on-farm salinity control program in the Grand Valley in Colorado. For fiscal year 1980 it was requested that up to $4 million be used to continue this project and expand the effort to the Uinta Basin project in Utah.

In the intervening years, at the request of Congress, we have continued to use Agricultural Conservation Program funds for cost sharing on-farm salinity control measures, while the Soil Conservation Service has used River Basin Survey and Investigation funds for planning and Conservation Operations funds for technical assistance. Experience during this period has shown that:

- USDA on-farm irrigation improvements are in fact generally more cost-effective in controlling salinity than are structural measures requiring large capital investments.
- The use of existing authorities is not the most efficient means of carrying out the salinity control effort. The annual $3,500 cost-share limit-

ation and the prohibition against cost sharing with irrigation districts, companies, and individuals who are not agricultural producers are major obstacles to program efficiency.

- If the clean-up of the salt problem is to make adequate progress within reasonable time, an alternative must be found to diverting funding from the existing ACP and SCS accounts.
- A consolidated program will facilitate coordination of cost sharing, technical assistance, and the needed education activities which currently are not funded.

We believe that the magnitude of the salinity problem in the Colorado River warrants the intensified and more efficient control effort that would be made possible by the consolidated program.

Irrigated agriculture is the largest man-made contributor of salt to the Colorado River, responsible for 37 percent of the salt load. At Imperial Dam, the salt load is about 10 million tons per year and without treatment can be expected to increase. The objective is to remove about 2.8 million tons per year by the year 2000.

Elevated salt content adversely affects agricultural, municipal, and industrial water users. Among its ill effects are decreased crop yields, impaired drinking water palatability, and more rapid pipe corrosion.

Adequate measures to bring the agricultural salinity problem under control would require about 15 years and $370 million in government assistance. A long-range plan has been developed for 10 projects which, when completed, would reduce agriculturally caused salinity in the Colorado River by about 1 million tons per year.

If authorized and funded, the program for FY 1985 will provide $4.8 million each to continue the Uinta and Grand Valley projects; $1.4 million each to begin the Moapa and Virgin Valley projects in Nevada and Arizona; and $150 thousand to complete planning studies for the Price-San Rafael, Mancos Valley, and Palo Verde projects.

Of the total $12.6 million request, $10 million will be for ASCS cost sharing; $2.4 million for SCS planning, technical assistance, and monitoring and evaluation; and $200 thousand for Extension Service education activities.

Agricultural Conservation Program

For FY 1985 we are again proposing a consolidated conservation cost-share program to carry out the objectives of the Agricultural Conservation Program, Emergency Conservation Program, Forestry Incentives Program, and Water Bank Program. The consolidated ACP would operate under existing legislative authorities, and many program features would remain the same.

Before moving on to the changes proposed for FY 1985, I would like to address current program activities.

FY 1984 Program

The ACP is being carried out in accordance with the priorities and objectives of the National Conservation Program (NCP). Some of the features of the current program are:

Targeting. In line with the NCP, $19 million, or 10 percent of total ACP funding, is targeted for cost sharing in critical areas of 43 States and Puerto Rico. Of this amount, $14.4 million will be used to combat erosion problems in 402 counties, while $3.6 million will be directed to water conservation in 120 counties. One million dollars will be held in reserve at the national level. SCS is providing accelerated technical assistance in these areas to focus the Department's conservation resources where they are needed most.

Conservation Reporting and Evaluation System (CRES). Last year we reported to you that we were in the process of expanding CRES, which provides a uniform, computerized method of reporting and analyzing conservation data for all USDA land treatment programs. This effort strengthens the conservation partnership, enhances communication, and encourages improved coordination among USDA agencies. On October 1, 1983, the system was implemented in all counties. As a result, SCS technicians and county ASC committees across the nation are better able to evaluate the cost effectiveness of a conservation practice on a particular site. Thus, county ASC committees have a sounder basis on which to review and prioritize practice applications and make funding decisions.

Variable Cost-Share Level Project. Since 1982 the ACP has included a pilot project to test the feasibility of encouraging more effective use of conservation funds by varying the cost-share level for erosion control practices according to the severity of the erosion and amount of soil saved. The technique has been refined, and this year the project has been expanded to all erosion control practices. Evaluation to date indicates that increases in cost effectiveness are being achieved. About 125 counties have volunteered for this experiment. We are continuing to encourage counties to participate.

Acreage Conservation Reserve. On December 8, 1983, Secretary Block announced a new initiative for FY 1984 whereby farmers who participate in commodity programs and remove highly erodible acres from production will receive 90-percent ACP cost-share assistance as well as SCS technical assistance for planting those acres in grass or trees. Twenty million dollars of ACP funding is earmarked for this purpose. The reserve land will also be eligible for inclusion in the base acreage calculation for any other acreage reduction plan through 1985. This initiative is designed to counteract the pressure that commodity and credit programs can place on farmers to plant fence row to fence row, even on marginal land most susceptible to soil erosion. ASCS plans to continue to fund special projects of this nature that contribute to soil and water conservation objectives.

Changes for FY 1985

The consolidated ACP we are proposing for FY 1985 is designed to increase the conservation benefits earned by each dollar invested.

Under the consolidated ACP, a single allocation will be made to each State based upon current formulas for soil and water conservation, forestry incentives, and wetlands protection. Each State will receive its proportionate share of funds according to established resource needs and will have complete flexibility in allocating funds to counties. Future year allocations could be adjusted based on evidence of higher priority conservation benefits targeted to specific areas and on additional historical data on practice utilization by county committees.

County committees will receive a single allocation from the State committee, along with a listing of practices available for cost sharing. This list will include soil and water conservation and pollution abatement practices for all States, plus water bank practices for those States and counties traditionally in the Water Bank Program, and forestry incentive practices for States and counties traditionally in the Forestry Incentives Program.

These county committees, composed of local people most knowledgeable about conservation needs in their own areas, will determine how conservation funds are spent. They will have complete flexibility to identify conservation problems, prioritize applications for assistance, and direct funds to the most critical problems. This system will encourage better matching of cost-share funds to local needs.

While the advantages of the consolidated program assume greater urgency at the lower funding levels, we believe this approach will enhance the conservation effort at any level.

For FY 1985 we are requesting $80 million for the consolidated program, $3 million of which would be earmarked for emergency conservation practices.

Commodity Credit Corporation

Payment-in-Kind (PIK) Program

Overwhelmingly received by the farming community, the PIK program for the 1983 crops has proven to be the largest and most effective acreage diversion program in history. More than one third of all eligible base acreage was taken out of production. Eighty-two million acres were idled for conservation use through participation of 1.2 million farms.

Despite some problems, the PIK program has been a success. It was a massive program put in place quickly to respond to an urgent need. Record 1982 crops for most major commodities combined with large carry-in stocks were pointing to FY 1983 CCC outlays of more than $18 billion. Without corrective action beyond the already-announced acreage reduction and diversion programs, outlays were expected to exceed $12 billion in FY 1984 and rise to $14 billion in FY 1985. PIK has achieved what it was intended to do: make it possible for farmers to reduce production through large-scale land retirement, thus cutting government commodity support costs while reducing the oversized farmer-owned reserve.

Commodity Program Outlays, FY 1983-85

The PIK program, coupled with severe drought, significantly reduced 1983 crops. FY 1984 outlays are expected to drop to $6.7 billion -- a dramatic reduction from the $18.9 billion spent in FY 1983. The CCC cash flow position has improved significantly since last year at this time, with current borrowing authority availability standing at about $9 billion. However, more normal growing conditions and less massive land retirement programs than 1983 will cause production to increase in 1984, leading to an anticipated rise in FY 1985 net outlays, now projected to total $10.8 billion.

For the National Wool Act, the budget includes estimated outlays of $116.5 million in FY 1985, compared with $106.1 million for FY 1984. The increase is due primarily to the support levels required by the Agriculture and Food Act of 1981.

FY 1985 Budget Request

Our FY 1985 budget proposes an appropriation of $8.7 billion to reimburse the Commodity Credit Corporation for the balance of losses estimated to be incurred in FY 1984 which have not already been reimbursed.

Administrative Support

The ASCS Salaries and Expenses account is used to fund administrative support for ASCS and CCC programs. The FY 1985 budget request of $390.6 million includes $50.9 million in direct appropriation and $339.7 million in transfers from CCC. This is a decrease of almost $20 million for this account compared to FY 1984, due mostly to less PIK and other commodity related program workload anticipated for FY 1985.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you may have.

REDUCTIONS IN COST-SHARING FUNDS

Senator COCHRAN. Thank you very much. I appreciate your summarizing your comments. We do have your full statements and they have been reviewed. We will carefully consider them further as we go about our deliberations in assessing the budget proposals before the committee.

I was just looking through the ACP budget proposal and the fact that there is such a substantial cutback. I was wondering how we justify that kind of a reduction if there is a high priority for conservation in this administration as Mr. Crowell pointed out. How do we justify cutting these programs, which were funded last year at $218 million, to $60 million?

Mr. RANK. $80 million, sir.

Senator COCHRAN. Well, he proposed to use $20 million of the ACP cost-sharing funds for permanent vegetative cover and then the other $60 million, I guess, is going to have to go to pay the costs of the emergency conservation program, the water bank program, and the forestry incentives program. That seems to contradict the statement that conservation is a high priority. What is your reaction to that?

Mr. CROWELL. Mr. Chairman, I would like to comment on that if I might. As Mr. Myers' statement said, we do have to balance two competing and sometimes conflicting objectives in putting this budget together. One is the need to try to reduce Government expenditures, and the other is to do as good a job as we can with the conservation programs. One of the things we can do that does not require very much in the way of cost sharing is to emphasize conservation tillage. That is an example of the type program that the Soil Conservation Service can deliver through technical assistance to farmers. Conservation tillage has had a remarkable increase in acceptance by farmers. In the last 10 years, it has grown almost 30 times, so that we now have over 100 million cropland acres being tilled by conservation tillage methods, and that takes very little cost sharing. There are other practices which can be encouraged that don't require cost sharing either, such as contour farming, crop rotation, and that kind of thing. We could get along for a few years without drastically reducing the conservation performance in this country even though we are cutting back on the cost-sharing funds.

Mr. RANK. I think Mr. Crowell responded adequately. I would just like to add that the $80 million that we have requested for ACP is the total of all funding, which would include forestry incentives, water bank, and emergency conservation, as well as the traditional ACP practices. Previously, we have targeted 10 percent of our total funds for designated critical areas. The fiscal year 1985 request does not include funds for targeting, but all $80 million would be directed by the county committees to high priority practices, including the various practices under the other programs such as the water bank and emergency conservation.

Senator COCHRAN. But if you figured out how much would be available for each State in the combined ACP program, it would be a little over $1 million. If you give $20 million to the pilot program on vegetative cover, you have $1 million for each State to spend on the forestry incentives program, ACP, and water bank. It doesn't look like we are going to get much done at all with that little money.

Mr. RANK. Mr. Chairman, the $20 million for the acreage conservation reserve applies to the 1984 allocation; it has nothing to do with the 1985 request. The $20 million comes from our fiscal year 1984 appropriation of $190 million; $10 million is from the national reserve and $10 million from funds already allocated to States.

FORESTRY INCENTIVES PORGRAM

Senator COCHRAN. I am told by persons in the Southeast who are interested in forestry that this forestry incentives program has been very helpful in stimulating the planting of trees in highly erosive pasture lands or lands that had been under cultivation, and it really has had a conservation impact. It has also contributed to the economic improvement of the entire area. It would be really very hard to justify virtually eliminating that program if we approved the proposal that is contained in this budget.

We do have a serious problem. I had a good chance to tour some of Mississippi where FIP is clearly needed. We have some parts of my State where they are losing 30 tons per acre per year in erosion, and that is just terrible. I know Peter Myers has been down there, and maybe all of you have, and I appreciate that. We had a demonstration project on a farm in Hinds County. I think you visited with the commissioner of agriculture, Jim Buck Ross, who had a local program there called "Hold Our Topsoil," and they were demonstrating these tillage practices and other techniques that are available now, trying to publicize and educate. That is important, and I am glad to see it being done.

REDUCTIONS IN WATERSHED PROGRAMS

I hope we can get these financial assistance programs, though, up to a more acceptable level. I worry about just doing away with the watershed program, too. That is an investment in the future which I would worry about not making.

Mr. CROWELL. Mr. Chairman, I would like to comment on a couple of those things. One of the compelling reasons for our electing to reduce the watershed program is simply because of the rates of return on the Federal investment. A lot of the benefit/cost ratios on those projects are lower than the present cost to the Government of borrowing money. When you have a financial situation of that sort, it seems to us to be, in addition to the problem of lowering the budget deficit, a good reason for deferring the expenditure of funds that are not going to give you as good a return as you could get in other places in the economy.

Furthermore, we would not be dismantling the basic program delivery structure that has been built up to carry out conservation programs. For almost five decades now, the Soil Conservation Service and the ASCS have worked in concert. We have protected the basic SCS program delivery system for providing conservation technical assistance in the process of putting together the budget, even though we are under some pretty tough constraints. It is never fun to cut back on programs, but we think that electing to reduce the watershed programs is a wise decision given the gravity of the situation in which we are working.

FORESTRY INCENTIVES

I will take another minute or so to comment on the forestry incentives program. It is true that that program has been very helpful in improving forestry practices in the Southeast, and yet, I think that we also need to be cognizant of the fact that those kinds of investments are increasingly being shown to carry themselves well. The Department has just completed a study in the last few months in which we were looking at the possibilities for converting highly erosive cropland and pasture land in the southern part of the United States to growing trees. Although you have to make certain economic assumptions regarding future commodity prices, the study concluded that, on between 2 million and 17 million acres, there would be a higher return to the operators if they were growing southern pine than if they were in crops. That is, I think, a very encouraging sign to indicate to us that if we get that information out to land owners, we are going to see an improvement both in the amounts of growing pine trees and some reduction in the volume of surplus crops. At the same time, we will get a conservation job done.

Senator COCHRAN. Well, I think that is so important. I chaired hearings down in Jones County, Miss., and tried in my State to publicize facts just like that to help encourage that transition. But the practical aspect of it is that a lot of these farmers are in debt, and they can't come up with the financial wherewithal to make the transition. You have to make an investment, you have to plant trees, and this forestry incentives program provides that little financial incentive that you need to get that job done.

A lot of people are awaiting the availability of those funds to help them. I know that it has in some cases, as I heard you say last year, that it has been a disincentive to plant trees, because if the funds are not available this year, a would-be planter will hold out hope that maybe next year there will be some matching money available. That may be true in some cases, but we have a program here which I think is a good program; it is a very popular program.

I am told that the evidence is on the other side. We are going to see more trees planted if we have a program here that is funded. If we have one that does not have any money in it, it is not going to do us any good. Maybe they will say, "When the new administration comes in, we will get some more money," and nobody will plant anything then. I hope to clear up this disincentive point.

I just think that there is an argument for money in the program.

Mr. CROWELL. This study also is providing the basis for an Extension Service bulletin, so it will get some pretty wide publicity. The study also showed that the costs of site preparation are virtually nil because we are converting land that has already been cleared. The initial investment, therefore, is really very low. The real problem in converting from crops to trees lies in the fact that there is not any cash income in the first 10 or 15 years until the tree crop has grown to the point where it can be sold commercially. That is the real problem. We have not figured a way to get over that.

FUNDING FOR WATERSHED PROJECTS

Senator COCHRAN. You know, the watershed cut bothers me, too. You touched on that. The cut there is pretty substantial. You propose a 50-percent cut or $77.4 million in watershed operations. You say $17 million of this would be to "offset part of the $100 million in 1983 jobs bill money that accelerated ongoing work." If the Congress appropriated the $100 million, we meant for it to be spent, and this seems to me to be something like an innovative rescission of sorts. I wonder if that is what it is meant to be.

This is another popular program. I know that if we tried to fund all the popular programs in the world, the Government would be in pretty bad shape. That is pretty well what is happening now, but these watershed projects do have the effect of saving us from the damages of soil erosion and flooding on lands that could not be cultivated unless you put these projects to work.

Mr. MYERS. Mr. Chairman, we identified all the watershed projects that were ready to go last year, where we had the land rights and the local sponsors were ready, and we started everything that was ready to start. We still carried over $60 million of the jobs bill money into 1984. We probably will have some left over this year also. The 1985 budget is not going to stop work on ongoing projects, we just won't have any new construction starts in fiscal year 1985.

Mr. CROWELL. Another interesting view on that, too, Mr. Chairman, is that the funding level for the watershed program, with the jobs bill money, is going to average out to just about $175 million a year for 6 years starting in 1980 and ending in 1985. Of course there is variation in those years, but the average is going to be about $175 million. The average funding level in the second 3 years is about the same as that in the first 3 years, so with the jobs bill money we really are keeping the watershed program pretty much on an even keel. That would not have happened had the budget cuts been made without that supplemental appropriation.

ASC STATE AND COUNTY COMMITTEES

Senator COCHRAN. I saw some of my ASC committeemen from Mississippi here yesterday, and I hope there is enough money in the budget to get them back home. [Laughter.]

Mr. RANK. We made sure of that, Mr. Chairman. We understand that they received a very kind reception on your behalf, and we thank you.

Senator Cochran. They do a great job, these committeemen from around the country. I know those in my State are very conscientious, they work real hard, and I think we get our money's worth out of them.

Is that your experience around the country? Do we have good people involved?

Mr. Rank. It certainly is. That is why we are trying to structure our consolidated ACP in such a way that we give a single allocation to States and give them more authority to spend the money within their State as they see fit, rather than having us go out with individual program allocations and tell them you have *x* number of dollars to spend for FIP, for ACP, and for water bank. This would allow them to spend the money in the areas of highest priority. So when we give them the money in Mississippi, they can spend it all on FIP if they want to.

Senator Cochran. They are not going to do that. You know they are all row crop farmers.

Mr. Rank. Well, make sure we get some tree farmers on these committees.

CONSERVATION RESULTS FROM PIK

Senator Cochran. There has been some criticism that in the PIK program we had a great opportunity to insist on good conservation practices on the lands that were idle, and that we missed the boat; we missed an opportunity, that on a lot of those lands there was nothing done.

What is your reaction to that criticism? Is that a valid criticism? Did you not do your job in policing that program? What do you say to your critics about that?

Mr. Rank. I think we did an excellent job considering the amount of acreage involved. There were approximately 80 million acres taken out of production for conservation use. Certainly, we had problems getting cover planted because of the wet spring turning into drought. Immediately there were problems when we got into planting. We did have some problems out there, but we think that overall there were benefits gained by the conservation use acres. A lot of the critics are basically talking about wildlife cover, but the cover that was in place was, in fact, adequate to protect the soil. We went out with SCS, did the preliminary study and issued the preliminary report. The final report will be out, we hope, by the end of the summer. It will cover the total program aspects and benefits, the attitude of farmers, why we did or did not get what we were trying to accomplish. It will point out some of the findings that we will use for future programs and how we might structure our programs to really get what we are trying to accomplish. Overall I would say we did achieve soil savings with PIK, and though we did have problems in some areas, I believe that generally we did an admirable job.

Senator Cochran. What is your reaction to this, Mr. Myers? Did the Soil Conservation Service do anything?

Mr. MYERS. I would have to support Mr. Rank's statement that critics used wildlife cover criteria and tried to apply that standard to define what was adequate for soil conservation. That's not a valid comparison, because you can have enough cover to meet soil conservation criteria but that would not be adequate for wildlife cover. The survey Mr. Rank mentioned was a good survey. It was a conservation survey done jointly by SCS and ASCS. It showed that we had adequate protection on 80 percent of the land, even though some of it may have been last year's crop residue. We were satisfied with cover on 80 percent of the land. That is pretty good coverage for a program of that magnitude. We recognize there were some problems, but I understand that they reduced the payments to some of the severe violators.

SUBMITTED QUESTIONS

Senator COCHRAN. I wish I could stay and talk about some of these other things. We have a vote that is coming up, and we have other agencies: the Commodity Credit Corporation, Foreign Agricultural Service, Office of International Cooperation and Development, and Public Law 480 coming in at 2:30. We are about out of time, so I will submit any other questions that we have in writing and ask that you respond to those.

Let me express my appreciation for the way you cooperated with the committee. We appreciate your being here today and the quality of the statements that you have provided for our assistance.

Thank you very, very much.

We will stand in recess until 2:30.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

SOIL CONSERVATION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

EFFECTIVENESS OF PIK CONSERVATION MEASURES

Question: In last year's testimony, Secretary Block and Assistant Secretary Crowell justified the Administration's proposal to cut cost-sharing programs by claiming that acreage reduction and PIK programs would require farmers to "retire acreage to conserving uses."

USDA recently released a report on the PIK program in which you revealed that 40 percent of the land idled by PIK had inadequate protection, including some with no protection. Why was this not enforced more extensively?

Answer: The 40 percent in the report referred to the acres that were eroding at a rate above the soil loss tolerance level, not the acres of PIK that did not meet the conservation treatment requirements of the program. To bring treatment to soil loss tolerance level will require some of the acres to be converted to grass or trees and expensive conservation practices such as terraces and erosion control structures to be installed on other acres. Farmers were not required to apply these type conservation measures in order to qualify for the PIK.

Question: How important was conservation in your decisions concerning PIK?

Answer: It was a very important consideration. Controlling surplus commodity production was our primary purpose for PIK; however, we emphasized conservation of the idled acres because there was a great potential for controlling erosion. We also recognized this as a unique opportunity to get conservation practices installed while crops were not being grown on idled acres.

Question: How much might this cost in overpayments to farmers who did not comply with the conservation provisions of PIK?

Answer: Since farmers have complied with the conservation provisions of PIK, we are not aware of any overpayments.

Question: What will be done about those who did not comply?

Answer: If farmers have not complied, they will be required to refund program payments.

Question: According to a preliminary report on conservation benefits of PIK, USDA says that erosion on an estimated 79 million diverted acres was lowered from an average of 7.4 tons per acre to 5.8 tons per acre. How, considering the conservation use requirements of PIK, can land in the PIK program erode at higher than acceptable levels when it is not even in production?

Answer: We think lowering the average annual erosion rate from 7.4 to 5.8 tons per acre is very acceptable as far as meeting the PIK conservation requirement. The report refers to those acres that are within an acceptable soil tolerance level. As stated earlier, we did not require farmers to install expensive terrace or erosion control structures that would have been needed to bring erosion, in all cases, to within soil loss tolerance level. The soil loss tolerance level for most soils is 5 tons per acre. We were quite pleased that the average annual erosion rate for the diverted acres was within .8 tons of this level. There were some acres that could have been better protected if farmers had kept more crop residues on the soil or planted more cover crops. We have increased this emphasis for the 1984 program.

GENERAL ACCOUNTING OFFICE STUDY

According to a November 28, 1983 GAO study, USDA conservation programs are not reaching their full potential in solving erosion problems in the United States. Various recommendations were made, including better collection of data to evaluate programs and better allocation of resources available to you.

Question: Why are we losing ground, literally, in our fight against erosion?

Answer: Erosion is a natural process. Farmers and others who annually till the soil to produce crops tend to accelerate this process. In recent years several factors have helped to worsen the erosion situation. Farmers, in an effort to become more cost efficient are shifting to larger equipment which in turn requires larger fields. As fence rows and other natural barriers are removed to make crop fields larger, the erosion hazard increases. Secondly, farmers are producing more grain than ever in an effort to cope with the cost-price squeeze. Some lands with extremely high erosion rates have been converted to row crop fields.

Our ability to estimate erosion rates also has improved. Our 1977 National Resources Inventory was the first time in the history of our country that a detailed systematic national inventory of erosion was made. Earlier estimates were much more crude and could have grossly underestimated erosion rates. Lastly, we must recognize that we can never win our battle with erosion. We can simply hope to hold it to levels that are acceptable to society.

Question: What actions has the Department taken in response to that GAO study?

Answer: I would like to submit for the record a copy of our most recent response to that study. (The information follows.)

GAO FINAL REPORT RCED-84-48, DATED NOVEMBER 28, 1983, ENTITLED "AGRICULTURE'S SOIL CONSERVATION PROGRAMS MISS FULL POTENTIAL IN THE FIGHT AGAINST SOIL EROSION"

General Comments

As stated in our response to the Draft Report, "Department of Agriculture Soil Conservation Programs Are Not Realizing Their Full Potential in the War Against Soil Erosion," the Department of Agriculture generally agrees with the thrust and many of the conclusions in the final report.

We plan to implement most of the GAO recommendations in the final report as soon as research is completed and technology is available. Many of the proposed actions are already being implemented in the Department of Agriculture.

GAO Recommendation Chapter 2, page 21

Consider and clearly describe how the ARS program will address the erosion/productivity research needs described in SCS' January 1983 research needs report.

Response

The Agricultural Research Service (ARS) has responded very positively to the need for erosion/productivity research. Within two months after completion of the report on research needs, ARS conducted a workshop on this subject at Denver, Colorado, at which their top scientists, along with those from many universities and State experiment stations, shared knowledge on this subject and prepared a plan of work to accomplish the needed research. This is reflected in ARS' Program Plan-Six Year Implementation Plan. Following is a very brief summary of ARS' progress thus far.

ARS scientists, in cooperation with professionals from Economic Research Service (ERS), Soil Conservation Service (SCS), and other institutions, have developed and will shortly complete testing of the Erosion-Productivity Impact Calculator (EPIC) model, for use in the 1985 Resource Conservation Act appraisal of erosion related losses in productivity for all Major Land Resource Areas of the United States. A soil Productivity Index (PI) concept has been developed to estimate the effects of continuing the present rate of erosion for extended periods of time and to estimate the vulnerability of soil productivity to erosion. Field experiments have been designed and the collection of definitive research information has begun at over 24 ARS locations across the United States. Many ARS locations have only collected their first or second year of data. However, yield reductions of up to 52 percent have been observed in Georgia for severely eroded compared with slightly eroded soils. Crop production losses of 20 to 50 percent have been observed where topsoil depth was reduced from 35 to 15 cm by erosion in the upper ends of irrigated fields in Idaho. Many other examples of significant progress are evident in this national effort which will establish through research, as well as by modeling approaches, the actual impacts of erosion on soil and crop productivity.

GAO Recommendation Chapter 2, page 21

Address the need to resolve the issue concerning the degree to which various kinds of soils can tolerate erosion before degradation occurs (that is, either revise or replace T, the current erosion tolerance criterion).

Response

SCS in consultation with ARS and ERS is in the process of revising erosion tolerance criteria.

Qualitative concepts that would allow establishing critical standards for each kind of soil have been developed and have been discussed within SCS and with sister agencies. The proposed concepts center around the maximum rate of erosion at which the quality of the surface soil is maintained (critical for minimizing future rates of erosion), and at which the loss in potential soil productivity is minimized. The concepts also include consideration of tolerable offsite damages to land, water, and air resources.

The quantitative implementation of these concepts will require the completion and testing of models on the impact of erosion on potential soil productivity, such as EPIC or the PI, as well as models of organic matter equilibrium and watershed hydrology, which are being developed by the ARS in close cooperation with ERS and SCS. Initial standards for internal evaluation are expected to be completed in March, 1984. They are to be refined as more information and better scientific criteria become available.

GAO Recommendation Chapter 3, page 35

Recognize that USDA's primary soil conservation objective is to reduce erosion's harmful effects (onsite productivity losses and offsite damages) as opposed to simply achieving reductions in soil displacement (gross tons or tons per acre).

Response

USDA agrees with this recommendation and already has this policy in effect. The National Program for Soil and Water Conservation, submitted to the Congress by the President in December, 1982, has as its first objective, "Develop a program that will lead toward non-degradation of the Nation's soil and water resources." In support of this objective is the following statement, "Maintain the quality of the resource base by alleviating erosion and other factors that reduce the long-term productive capacity of soil and water resources on crop, pasture, range, and forest lands."

USDA will continue to further implement this policy as additional research data becomes available.

GAO Recommendation Chapter 3, page 35

Require USDA agencies to allocate conservation funds according to a prioritization of erosion's harmful effects (onsite productivity losses and offsite damages) at the earliest possible time. Similar approaches would need to be followed in the allocation and use of conservation funds at the State and local levels.

Response

USDA agrees with the recommendation of using the harmful effects of erosion as part of the criteria for the allocation of funds. However, measures of erosion's effect on productivity are not yet available for use in estimating each State's conservation needs. This will be done as defensible data are available.

In addition, USDA conservation funds are used for purposes other than soil erosion including water quality, water conservation, reduction of flood damages, improvement of rangeland, improvement of forest land, improvement of habitat for wildlife and others. Therefore, it is not possible to use the harmful effects of soil erosion as the sole criteria for conservation fund allocation.

We have instituted a variable cost-share level pilot effort which uses the T-value as a factor in determining cost-share level. The T-value is an estimate of the amount of erosion a soil can withstand indefinitely and remain economically productive. Although it is recognized that T-value is an imprecise measure, it is the best measure currently available that can be used in adjusting cost-share levels by the degree to which erosion is affecting the productivity of the land. The universal soil loss equation (USLE) is the primary tool used in calculating erosion rates. Like T-value, it is the best practical method available in measuring sheet and rill erosion.

The report notes that the USLE measures soil displacement and that a measure of soil loss would be a better measure of erosion. It should be noted that soil displacement has a damaging effect on the land since soil being displaced is usually eroding from the slopes; and whether or not it is deposited in depressions, the area on the slopes which have eroded have suffered a permanent loss of soil.

The Department is continuing to seek improved methods to determine soil loss; and to differentiate between soil displacement and actual soil loss reaching waterways, that could cause harmful effects to downstream users or aquatic life in or near the stream. Since these methods have not been perfected nor are the harmful offsite effects measurable to date, the ideal method of determining allocations cannot be implemented at this time. However, our current allocation system does address the areas we believe would be of primary concern under the ideal, although no data are currently available to support this hypothesis.

GAO Recommendation Chapter 4, page 46

Require that ASCS provide local ASCS committees with CRES-generated cost/benefit data, statistically significant at the local level, for all approved soil conservation cost-share practices as soon as these data become available and require that these data be used as a basis for future decisions on providing ASCS conservation assistance.

Response

ASCS and SCS have intended, from the inception of the Conservation Reporting and Evaluation System (CRES), to provide cost/benefit data to the county ASC committees in order to improve the cost-effectiveness of ACP and other land treatment programs. As soon as practical, States and counties will be furnished data similar to that shown in the table on page 38 of the GAO report. Even with this information, however, there is no assurance that the cost-effectiveness will improve, since local committees still have the authority to approve individual requests.

When the ASCS County Office Automation Study is fully implemented nationwide in all offices, ASCS county personnel will have the ability to apply computerized systems to each field or area where a producer requests assistance. By doing this, we believe producers may opt to apply either less expensive or more effective practices instead of applying traditional practices that may be more costly or less effective. USDA State Offices will also be able to evaluate their own performance using CRES data.

Until such time that each county can provide this service to the producer, it is anticipated that supplying CRES-generated data to the local level will provide county committees an incentive to approve only the more cost-effective practices in the future, since they are aware that funds will eventually be allocated based on the effectiveness of their fund usage.

GAO Recommendation Chapter 4, page 46

Require that SCS test the feasibility of variable-rate cost-sharing for its Great Plains Conservation Program.

Response

SCS will more fully analyze the applicability of the approach to varying cost-share rates among land users in the Great Plains Conservation Program (GPCP) that GAO suggests. Because of the unique characteristics of the program, this is an essential first step before any field testing is undertaken.

It is important to recognize that cost-sharing rates are already "variable" among States and counties in the GPCP area. The recommendation would vary cost-share rates for individual practices among land users much the same as in the variable cost-share level (VC/SL) pilot program for the Agricultural Conservation Program (ACP).

The VC/SL was designed to fit a process that involves applying individual practices without requiring those practices be integrated into a system that fully meets the resource needs. It was designed to focus more attention at the local level on the use of technical data (before and after soil loss estimates) as the basis for deciding who receives ACP cost-sharing. Because one requirement in the GPCP is a conservation plan for the entire operating unit, technical data are the basis for decisionmaking in that program. Careful review of CRES indicates that ACP long-term agreements, which are also based on a conservation plan, are as effective as VC/SL in the annual program.

Preliminary indications of our analysis are that cost-effectiveness (a goal of VC/SL) can be increased in GPCP through improvements in the process that SCS uses in selecting which land users receive a GPCP contract based on the severity of their resource problems.

GAO Recommendation Chapter 4, page 46

Require that SCS include in its report to the local ASCS committee, where applicable, a list of alternative practices that could effectively address an applicant's erosion problem.

Response

As stated in the USDA review comments on the draft, this is in line with the intent of current procedures. SCS will make an appropriate revision in procedural guidelines to clearly establish this procedure for implementation at the start of FY 1985. Treatment options are discussed with the applicant during the planning process. Where the request for ACP assistance follows from the conservation planning process and where the producer has a conservation plan, little is gained by listing alternatives that were discussed and not agreed upon. Several factors affect the applicant's decision as to which practice or combination of practices is to be applied--necessary cropping system changes, level of management required, initial cost, personal preference, farming equipment owned, community custom and values, etc. In many cases, the practice that is least costly to the government may not be practical or feasible in light of the land user's decisionmaking criteria.

SCS will revise current policy to require that the technician, in those cases where the producer does not have a current conservation plan, list alternative practices where such practices would be compatible with the ongoing or planned cropping system, and significantly more cost-effective than the practice requested.

GAO Recommendation Chapter 4, page 46

Expand the ASCS variable-rate cost-share pilot project as quickly as practicable to obtain a representative sample of all counties where the Universal Soil Loss and Wind Erosion Equation formulas can be used; expand the variable-rate concept programwide if test results are favorable; and reorient resource allocations at the local level using CRES cost-effectiveness as the short-term criterion and reductions in erosion's harmful effects as the long-term criterion.

Response

An Administrator's Memorandum was sent to each ASCS State and County Office on December 8, 1983, asking them to review VC/SL procedures, encouraging them to volunteer, and to provide a list of volunteer counties to the National Office by February 1, 1984.

The VC/SL was modified this year to be applicable to all practices applied for the purpose of treating soil erosion and expanded to include losses due to gully, concentrated flow and irrigation erosion. Since all counties are now covered by CRES, there is only a limited amount of additional calculations required for a county participating in VC/SL.

Since counties have now had time to study the VC/SL procedures, been encouraged to participate, and are already collecting data required to determine VC/SL's, it is expected that there will be a significant increase in the number of participating counties.

GAO Recommendation Chapter 4, page 46

Reassess research priorities concerning conservation tillage to assure that allocated resources sufficiently address the needs identified in the January 1983 SCS research needs report.

Response

ARS has redirected several of its research programs at many locations in order to better address the need for increased conservation tillage research within that agency's allocated resources. A brief summary of ARS' progress on conservation tillage research follows.

Research on conservation tillage is underway at 36 ARS locations where scientists are working on one or more aspects of the subsystems required to develop effective and acceptable conservation tillage systems in major land resource areas. These subsystems include weed control, machinery systems concepts, water management, management of soil physical properties and temperature, nutrient management, and crop germplasm development. Much of the work reported has been directed toward assessing the consequences of a change in tillage system on the primary variables that control crop growth. As these functional relationships between cause and effect are better understood in quantitative terms, ARS will emphasize research devoted toward the development of models and management systems that incorporate these functional relationships. Groundwork for these models is being developed in the EPIC modeling effort directed toward predicting the consequences of soil erosion on productivity.

GAO Recommendation Chapter 4, page 46

Revise CRES data analysis procedures to assure that the combined soil erosion reduction benefits of several conservation practices are not attributed to a single practice when conservation practice cost/benefit tables are developed.

Response

In many cases where multiple components are installed, it is impossible to attribute a specific reduction in soil loss to each individual component since the combined results are not the sum of applying the individual components. For example, installing contour farming in conjunction with minimum till might result in reducing erosion by 10 tons/acre/year. However, if only mimimum till were installed, the savings would have been 5 tons/acre/year. Likewise, if only contour farming were instituted, the savings would have been only 2 tons/acre/year. Thus, the sum of the two components separately is 7 tons/acre/year while the effect of the combination is 10 tons/acre/year.

A problem also arises in which practice is evaluated first. The first practice evaluated will normally accrue the greatest benefits. The practice evaluated last will normally accrue the least benefits. USDA will continue to seek methods of evaluating conservation measures to determine cost-effectiveness of conservation systems and component practices.

Historically, a large percentage of practice applications have only one component installed, and it will be possible to evaluate the effectiveness of individual components by analyzing this subset of data with only one component for the practice.

GAO Recommendation Chapter 5, page 57

We recommend that the Secretary of Agriculture require that specific and detailed guidance, coupled with assistance approval certifications, as discussed above, be established and used at all State and local levels. This guidance should ensure that the government does not cost-share practices primarily used to enhance production or defray costs that are, or should be, part of normal farming or ranching operations, rather than to provide enduring conservation benefits.

Response

USDA recognizes that many conservation practices that are installed for conservation benefits may also enhance production. Current USDA policy emphasizes that practices being cost-shared must primarily provide enduring conservation benefits. When a referral for technical assistance is made under the ACP, the technician determines the need for the practice and the practicability of installing the practice. Current policy will be revised to require that the technician, in those cases where the producer does not have a current conservation plan, list alternative practices that will solve the conservation problem as effectively at less cost.

We are convinced that the new CRES data, being provided to county committees in advance of the committee's approval of the practice, will substantially improve the county committee's ability to make the proper decision on requests. These new data will inform county committees in advance of approval of the amount of soil to be saved by the application of the requested practice. There are positive results from the 1983 pilot program on CRES to show that county committees are responding favorably to this soil lost/soil saved information.

USDA will continue to provide guidance and information to county committees and technicians to insure that practices are installed which provide enduring conservation benefits.

NATIONAL RESOURCES INVENTORY (NRI)

Question: Even now, you refer to the 1977 National Resource Inventory, which refers to conditions that existed seven years ago. You don't even refer to the 1982 NRI, I assume because the results from that inventory have not been compiled. Is a five-year NRI worth the money and effort?

Answer: There is an ever increasing demand for resource data. The demands for more complex and comprehensive data to address the soil, water and related resources issues and concerns of today far exceed those of the past. NRI data are being used in sophisticated computer models and by a wide range of interests and user groups. The number and complexity of the data elements in the inventory are largely responsible for its cost. Users include researchers, planners, consultants, and conservationists from many different organizations and disciplines. The data are used at all levels from nationwide programs to local projects.

Question: Should they be conducted less or more often?

Answer: A five-year cycle is important to measure rapid land use changes. The Rural Development Act of 1972, Section 302, authorized USDA to collect data on the status, condition, and trend of soil, water and related resources at five-year intervals. The Soil and Water Resources Conservation Act of 1977 (RCA) further supported this need. In order to meet local needs for special problem areas, SCS's present inventory efforts allow for more intensive inventories to be conducted on an annual basis. There are proposals presently being considered to lengthen the National

Resources Inventory (NRI) to a 10-year cycle and only update the inventory on a 5-year basis to measure those data elements subject to more rapid change.

Question: Are conditions evaluated in the NRI so unchanging that 7-year old statistics are still accurate?

Answer: Some of the conditions evaluated by the NRI are rapidly changing and some are not. Land capability classes and subclasses and soil types are relatively stable. Some rural land use categories are fairly stable. But, in some areas, land use change is very rapid, e.g., corn vs. soybeans or conversion of grazing land for crop production, etc.

Question: Why does it take so long to compile results from NRI?

Answer: Compiling the 1982 NRI takes considerable time and effort because of two major conditions: 1) the highly complex nature and wide scope of the inventory and 2) the developmental nature of the inventory including many "first time ever collected" elements involving about 300 potential item codes on more than a million sample points. The 1982 NRI will serve as a basic foundation of data for future inventories. Much of the time consuming data collected in the field involving items such as soils, slopes, land capability classes and subclasses etc., will become part of the next National Resources Inventory data set. Use of remote sensing techniques being developed for future data collection efforts, along with use of the data already collected during the 1982 NRI, will speed up the next inventory cycle.

CONSERVATION TILLAGE

Question: It is my understanding that there are some who question the risk/benefit of conservation tillage. What confidence do you now have in conservation tillage as an effective conservation measure?

Answer: Based on research and our experience working with farmers, we are confident that conservation tillage is an effective conservation measure. It reduces soil erosion by 50 to 90 percent depending on the amount of residue cover left on the surface after planting. Conservation tillage is also one of the most cost-effective conservation practices for intensive agriculture.

Question: What methods are you using to promote its use? (I know there are some experiments/research going on in Mississippi on conservation tillage.)

Answer: Because of the important erosion control benefits of conservation tillage, SCS is involved in many different ways to promote this practice. We provide one-on-one technical assistance to the farmer in both planning and application of conservation tillage. In 1981, we established the position of National Conservation Tillage Agronomist headquartered in Washington, D.C., to provide leadership for developing and coordinating an SCS national effort to increase application of conservation tillage, technical assistance to our national technical centers and states, and coordination with other USDA agencies. We are involved in assisting soil and water conservation districts in local promotional programs including workshops, symposia, and equipment rental programs. We work closely with agribusiness, universities, and professional organizations, involving them in local programs. We also work closely with the Conservation Tillage Information Center and have assisted them in their 1982 and 1983 conservation tillage surveys for the United States. In addition, conservation tillage remains high on our list of research needs. The Secretary of Agriculture has called for a National Conservation Tillage Conference in October 1984. SCS has a major role in planning and organizing this conference along with many others from agribusiness and conservation organizations.

Question: Do you feel enough research is being done in innovative conservation areas such as conservation tillage?

Answer: Research is vital to proper application of conservation tillage. It is doubtful if we will ever be able to say there has been enough research because of a changing agriculture and the development of new technologies. We are working closely with Agricultural Research Service (ARS) and other research locations across the United States to conduct needed research. We are pleased with their response to our needs and eagerness to cooperate. As an example, there are 36 ARS locations that are working on one or more aspects of the subsystems required to develop effective and acceptable conservation production systems in major land resource areas. These subsystems include weed control, machinery systems concepts, water management, management of soil physical properties and temperature, nutrient management, and crop germplasm development.

EROSION

Question: You place a great deal of emphasis on reducing the number of tons of soil lost to erosion. Obviously, the statistics would look more impressive if you reduced erosion loss by "x" number of tons. However, there are cases in which a field could lose more than 5 tons per acre and not decline in productivity, while another field could lose 2 tons and would experience a decline in productivity. According to GAO, you have aimed funds more at reducing the number of tons lost rather than aiming funds where erosion is more harmful. Do your plans for Fiscal Year 1985 and the remainder of Fiscal Year 1984 focus on erosion's harmful effects?

Answer: Beginning in FY 1983, we began to move away from just focusing on gross erosion rates and started to give more consideration to fragile soils. Fragile soils are those that have a soil loss tolerance or T value of less than five tons per acre per year but are eroding at more than T. Our FY 1984 and FY 1985 plans will continue this effort.

This problem was originally caused by the way in which the 1977 National Resource Inventory data for erosion was displayed. The original data displayed sheet, rill, and wind erosion by 3 categories: Less than 5 tons, 5 to 10 tons, and more than 10 tons. This type of display emphasized those soils that have T values of 5. It tended to mask soils that have T values of 2 or 3 but are eroding at rates of 4 tons or 6 tons which is twice the "T value". These soils appeared in the less than 5 ton category or the 5 to 10 ton category in the inventory and therefore received less attention. We have now corrected this by displaying the erosion data by actual "T-value": less than or equal to T; T to 2T; and more than 2T. This inventory information is one of the major criteria we now use to select areas for erosion control assistance.

Question: The 1977 National Resource Inventory showed that the worst erosion in terms of tons per acre occurred mostly on the least productive lands. Should funds not be aimed at productive lands where more benefit per dollar would be realized. How much money was spent on erosion prevention for classes VI and VII?

Answer: We believe some type of balance is required. Some of the highest gross erosion rates occur on our most productive loess soils which are 40 or more feet in depth. These soils comprise about 12 percent of our cropland. On those soils it is difficult to justify erosion control based on reduction in soil productivity alone. The off-site damages to water courses, and water quality may be significant in these cases but little hard economics cost benefit data is available. On the other hand, there are other soils in land capability classes IV, VI, and VII that are much less productive but highly erosive. In this case, erosion control may be cost effective based on soil productivity losses alone. Between these two extremes are a group of soils that are moderately to highly productive and have moderate to high erosion rates. Erosion from these soils is not only reducing soil productivity but also causing off-site damages. Until we can improve our technology to better define erosion productivity relationships and off-site erosion cost effects, we believe we must address all erosion problems. We estimate that 16 percent of all our time spent on erosion control is on land in capability classes VI and VII. This would amount to approximately 14 million dollars.

Question: Do you have dollar figures that could be assigned to erosion's harmful effects? It seems that this would aid in your allocation of the resources provided to you, both for on-site and off-site damages. If not, is there some effort being made to determine, in dollar figures, erosion's effects?

Answer: No, we do not have any figures available at this time. The state-of-the-art for assigning dollar values to erosion's impact on soil productivity is beginning to emerge. We are developing a model called EPIC which we hope will be operational by FY 1985. This model will be able to access erosion productivity relationships and assign a cost. Technology for determining the dollar value of off-site erosion damages is much less developed. Some preliminary studies made by the Resources for the Future indicate that off-site damages may equal or exceed on-site erosion damages.

GREAT PLAINS CONSERVATION PROGRAM (GPCP)

Question: SCS says that, as of January 1 of this year, 14.7 million acres in the Great Plains were reported inadequately protected, and therefore, susceptible to wind erosion—that's 38 percent more than at the same time a year earlier. Yet you propose to decrease funding for the Great Plains Conservation Program. How do you justify that?

Answer: Land subject to wind erosion fluctuates greatly each year due primarily to the weather conditions. This year's acreage is abnormally high. The Great Plains Conservation program uses a long-term approach to improve the general conditions and capability of the land to withstand wind erosion. We think the amount requested for the program is reasonable in light of the need to control the budget deficit. Funding can be restored as economic conditions improve and the long-term approach will continue to be used in addressing these problems.

Question: Do GPCP cooperators have access to regular conservation operations money? What about non-cooperators?

Answer: Yes. Conservation operations money is used to help both the GPCP cooperator or non-cooperator develop their conservation plan on which their GPCP contract is based.

TARGETING

Question: The people in Mississippi have grave concerns about the targeting approach to conservation. They will accept targeting if we can ensure that the present conservation efforts are not adversely affected by requiring funds to be applied on a targeting basis.

Have you had any complaints that your targeting efforts have preempted, or, in any way, diminished your agency's commitment to carry on a viable conservation program nationwide so that areas not now problem areas won't become problem areas?

Answer: Yes, we have had many complaints through FY 1984 that targeting has preempted ongoing program activities. For the most part, these complaints were unfounded. Through FY 1984 almost 90 percent of the $27 million in targeted funds were new monies that would not have been available if it were not for targeting. For FY 1985 we are proposing to reduce the ongoing program base by some $13 million to finance our next targeting increment. We believe this is necessary to help hold down the Federal deficit, and that while it will have some impact on base program operations, it will not reduce levels so much that new problems will be created. In fact, our experience to date suggests that the targeting policy has had an impact on increasing program effectiveness in nontargeted areas as more emphasis has been placed on addressing erosion control on cropland and other priorities identified in the National Conservation Program. We anticipate that we will be able to increase the amount of soil saved per acre of cropland treated under the base program from 3.4 tons per acre in 1983 to an estimated 4.6 tons per acre in 1985.

Question: How many counties will be included in the targeting program in Fiscal Year 1985? How many acres does that account for? What percent of the Nation's worst-harmed land will that reach?

Answer: The FY 1985 budget request will expand CTA targeting to include 917 counties in 48 States and Puerto Rico. The area will include 149 million acres of the Nation's total cropland. This represents 36% of the total cropland in the Nation. The 1985 targeted areas will include 71.3 million acres of seriously eroding cropland which represents 46% of the Nations total eroding cropland.

Question: Since you proposed a decrease in all programs (except for the Colorado River Salinity Program) and proposed an increase of 47 percent in funding for targeted areas, will this not cause a disproportionate decrease in assistance for non-targeted areas?

Answer: The base program in FY 1985 will be reduced by $17.6 million compared to the FY 1984 level. Approximately $4.6 million of this amount is the result of a reduction in total funds requested, and the remainder is the result of redirecting funds from base program operations to targeted areas. This will result in a 7% decrease in funding in the nontargeted areas.

Question: Your budget explanatory notes say that a targeted area "receives extra assistance until its problem has been brought under control." What will the criteria be for making that determination? Is it possible that these areas could become dependent upon that extra money each year and come to the point where it would be politically unpopular and economically detrimental to discontinue the targeted area?

Answer: We are carefully monitoring progress in targeted areas and are tying our funding increases to production increases. As the program goals in terms of tons of erosion reduction or acre feet of water reduced are approached, we are leveling off the accelerated funding. Generally, we believe we can phase out targeting when a significant portion of the area's eroding cropland is treated. We expect this to occur in 5-8 years. However, it may not be possible to remove all the targeted funds because some additional assistance will be needed to maintain the treated areas so they don't become problems again. We are currently developing some alternative approaches for dealing with this problem in future years as work in the original targeted areas nears completion. It should be noted that the policy of targeting extra funds for a defined period of time is clearly delineated when targeted areas are selected. Program resources and expected accomplishments are planned for a specific time period, usually on a 5-year basis, and are monitored annually.

Question: How does the level of funding for a targeted county compare to the level of funding of nontargeted areas?

Answer: The level of funding between counties varies based on a number of factors such as resource problems and type, number of farms and farmers, and others. Overall, however, the average budget allocation for a targeted county in FY 1984 would be about $84,000 compared with about $50,000 for a nontargeted county.

CONSERVATION OPERATIONS

Question: You justify decreases in SCS Conservation Operations because of deficit spending. How did you come up with a figure you wanted to cut? Why $5.6 million, which if you don't include pay increases, is a decrease of $7.8 million?

Answer: The funding level requested for Conservation Operations for fiscal year 1985 is, we believe, appropriate considering the conservation job that needs to be done and also the need to constrain Federal expenditures. The $5.6 million was provided by the Congress as an increase in our 1984 funding level for base program operations. The only other decrease is $.9 million related to management savings to be generated by reductions in GS-11-15 positions and administrative support.

NATIONAL CONSERVATION PROGRAM

Question: The National Conservation Program prepared by the Department indicated a high, medium and low level of funding to accomplish a base conservation program. Last year's budget request was below the lowest level of funding recommended by the National Conservation Program. This year, the Department is again requesting a level of funding considerably below the lowest level recommended by the National Program. How can this budget request, which is below the minimum recommended, accomplish the goals and objectives of the National Conservation Program?

Answer: In total, the 1985 Budget at only $10 million or less than 2 percent below the NCP program projection still reflects the high priority which the Administration assigns to these discretionary nondefense activities which as a group are slated for substantial reductions.

We believe that much can be achieved by increasing the effectiveness of our existing programs without the investment of large increases in Federal funding. By expanding the targeting program for accelerating technical assistance in critical problems areas, we expect to increase our current rate of accomplishments in terms of tons of soil erosion prevented even though the overall funding level is declining slightly. We are continuing to emphasize the more cost-effective conservation practices such as conservation-tillage which help to protect the resources and also provide a quicker return to the operator. The Department also is working to improve the effectiveness of cost-sharing programs through such actions as testing the use of variable cost-share levels for erosion control practices according to the severity of the erosion and amount of soil saved, and collecting and analyzing data on the cost-effectiveness of a conservation practice on a particular site. These are all actions we are taking which enable us to do a better job even during this period of time when Federal expenditures must be constrained for the economic well-being of the Nation.

RESOURCE CONSERVATION AND DEVELOPMENT

Question: If RC&D is not funded in fiscal year 1985, what will be the personnel impact?

Answer: Between 300 to 400 staff years will be devoted to this program in FY 1984. They would have to be RIFed or transferred to other work in FY 1985. The situation would be eased somewhat because intermittent employees who report to the job only if they are needed would simply not work. Some employees who would have to relocate in order to remain with the Soil Conservation Service would undoubtedly resign further reducing the number who would have to be absorbed. There are many people who work on the RC&D program a few hours each week and on other SCS programs for the remainder of the week. Their skills and classification would allow them to be transferred to other programs. The only employees who would have to be separated would be those who could not qualify for other SCS positions or would not transfer to keep a job. There is no estimate of the number of employees who would finally fall into this category because of the complexity the choices facing each employee.

Question: What is your current backlog of unfunded projects?

Answer: Currently, we have approximately $125 million of approved unfunded measures in RC&D.

Question: What RC&D activities will take place in fiscal year 1985 if it is not funded?

Answer: If the RC&D program is not funded in fiscal year 1985, all program activities would stop except those necessary to complete ongoing contracts and to terminate the program. No financial assistance and a minimum of technical assistance would be provided.

Question: What is the difference in RC&D programs and the conservation operations program?

Answer: The conservation operations program is the primary means of providing technical assistance to 2,932 conservation districts. Through these conservation districts, the SCS provides technical help to more than 2,300,000 district cooperators, who are primarily farmers and ranchers, having land use and conservation problems. Conservation plans are developed by land users to achieve conservation objectives. These plans contain the cooperator's decisions on how they are to achieve the conservation objectives and contain soil capability maps and other basic resource data interpreted for alternative uses and treatment. Installation services are provided to cooperating land users to help them apply planned conservation practices. These services include site investigation, designs and specifications, construction plans, and layout of practices.

The RC&D program promotes the conservation and development of natural resources in rural areas and communities. Technical and financial assistance is provided to local and State units of government and nonprofit organizations in 194 authorized RC&D areas covering 1,334 counties. The local RC&D sponsors initiate and direct a planning process, develop and maintain an RC&D area plan, and carry out activities to implement the plan. SCS staff assistance is provided to local sponsors in the preparation and implementation of their area plans. This may include assistance in preparing inventories and studies of measures of area-wide scale; in developing plans, designs, layout and installation of measures eligible for RC&D financial assistance; and in obtaining assistance from other Federal, State, and local agencies when activities and measures in the RC&D plans are ineligible for RC&D financial assistance.

RC&D financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control, flood prevention, and farm irrigation and efficiency in water-short areas.

GRACE COMMISSION REPORT

Question: What major changes have you proposed in response to the Grace Commission Report? What is the estimated savings for Fiscal Year 1985 for all changes within the Department?

Answer: The Grace Commission initially made a number of recommendations regarding SCS operations. Some of the recommendations are being implemented. Others "are being held" by the Office of Cabinet Affairs for possible future consideration. For those recommendations now being implemented, a number of steps are being taken.

Colocation of field offices. SCS and USDA for many years have had a policy of colocating field offices. SCS is continuing to colocate its field offices where it is feasible and cost-effective.

Consolidation of SCS Administrative Staffs. SCS is now studying the possibility of consolidating its administrative support activities in 53 locations to 10 or fewer locations. A team is currently analyzing workload, staffing and cost data to determine future consolidated staffs and savings, if any, that would result. This team is to produce a report on various consolidation alternatives by the end of fiscal year 1984.

Modernizing Soil Survey. SCS is undertaking efforts to improve efficiency in soil surveys, as recommended by the Grace Commission. We have a plan and will redirect some dollars in each of the next six years for the following improvements:

1. Streamline editing of the soil surveys manuscript by using compatible word processing equipment at decentralized editing locations.
2. Use a critical path management system to improve present management of the soil survey.
3. Improve the efficiency of soil mapping parties in the field.
4. Use more fully high altitude photography for soil mapping and for publishing soil maps.
5. Improve the computerized data base of soils information, making it easier for data users.
6. Further support digitizing soils data.

None of these actions will produce savings to SCS in fiscal year 1985. Most require some up-front investments before savings can be realized in the long-term.

PLANT MATERIALS CENTERS

Question: What progress is being made at the plant materials centers? How do you promote the use of successful erosion-preventive plants?

Answer: Excellent progress is being made at plant materials centers. The long-range program for each center has been revised through multidiscipline and interagency participation; and current projects are consistent with the priorities and objectives of the National Conservation Program (NCP). Commercial production of SCS released conservation plants in 1984 is projected to have a retail value of $25 million to commercial seed growers and nurserymen. More significantly, this commercial production of seed and plants is equivalent to the amount of plant materials required to treat about 2.0 million acres of land. A recent evaluation and analysis of this program showed it to have a high correlation with NCP priorities and objectives, to be very cost effective and to be strongly supported by an increasing amount of non-SCS participation. In 1982, the latest year that data was collected for this evaluation, non-SCS contributions to this program were $518,876 in actual dollars and $870,322 in "in-kind" assistance. The evaluation showed that SCS released plant materials were used in conservation practices by all SCS programs that utilize and/or recommend vegetative land treatment.

All SCS plant materials work is conducted in cooperation with other federal agencies, state experiment stations, State Department of Natural Resources, Conservation, and Wildlife; commercial businesses, and seed and nursery associations, who help encourage production of newly released conservation plant varieties and help promote their use in conservation programs. Commercial seed growers and nurserymen work closely with this program and readily place proven superior varieties into production and the commercial trade. These growers and their associations also promote the use of new improved plants in conservation programs. SCS and other cooperating agencies develop brochures, plant sheets, and other promotional material for distribution to field offices and potential users. New and improved varieties are included in agency technical guides and recommendations and articles are prepared for newspapers and agricultural publications.

Question: According to the USDA Budget Summary, you produce an average of 14 new conservation plants annually. Are those put to use?

Answer: SCS cooperatively released conservation plant materials move rapidly into commercial production and use. SCS, over the years, has released over 220 improved varieties of conservation plants to commercial producers. Some varieties released in the early years of this program have been replaced with superior varieties. Currently, over 160 improved varieties are in commercial production and use in conservation programs. SCS monitors the use of released conservation plants to determine the extent of production and use. Some varieties are released to meet special, limited but urgent, conservation needs such as stabilizing coastal sand dunes and their annual use may be limited to a few hundred acres a year. Other varieties, released for such uses as reducing severely eroding rangeland, may be used to treat hundreds of thousands of acres annually.

Question: In my state of Mississippi, a plant called "kudzu," which was imported many years ago, has taken over much of the unattended land, covering trees, telephone poles, and anything else in its path. Have you done any research into the possible use of kudzu for conservation purposes?

Answer: Kudzu is indigenous to China and occurs also in Japan. Kudzu was introduced into the United States from Japan in 1876, as an ornamental and gained popularity for its decorative and dense foliage which provided considerable shade and also created what gardeners perceived as a desirable tropical effect. From 1910 through 1935, kudzu was promoted as a permanent pasture plant for use in southern states on lands too rough or too poor to till. Between 1935-1955, kudzu achieved major importance as a conservation plant in the South. Millions of acres of cultivated cotton lands had been severely damaged by gullying. Kudzu, then known as the "miracle vine," was planted on over 500,000 acres of gullied land with outstanding success. Since 1955, kudzu has declined in popularity in the South. The major reason for this decline in status was due primarily to a change of land use in the southern states. Millions of acres of southern acreage has been converted from cropland to forest, making the aggressive growth of kudzu, which had made it so popular as an erosion control plant, a liability in some situations.

People are now more objective about kudzu, recognizing that if adjacent to woodland and the plants cannot be harvested for hay or grazed, it will climb trees and become unsightly. It will not, however, bury the forest as it is intolerant of shade and only the outside edge of the wooded area will be affected.

Kudzu is still an excellent soil stabilizer. Kudzu should only be used where its growth can be confined or controlled.

AUTOMOBILES

Question: Are the passenger motor vehicles, which you request, 20 additional, or 25 replacements?

Answer: The Soil Conservation Service's request for vehicles includes 25 additional passenger motor vehicles to replace a like number of light trucks.

WATERSHED PLANNING

Question: Do you think watershed planning is so unimportant that no more projects need to be started?

Answer: The plans developed through the watershed planning program are important and are needed to help reduce the effects of resource problems such as soil erosion, upstream flooding and water conservation. But, in keeping with the President's Budget and current fiscal policy requiring reduced spending in discretionary programs, no new starts are proposed in FY 1985. Also, with reductions in the implementation schedule of already planned projects, the addition of new starts would contribute to the creation of an imbalance in the total water resources program.

WATERSHED AND FLOOD PREVENTION OPERATIONS

Question: You propose no new construction for watershed and flood prevention operations. Isn't the investment in flood prevention a good "insurance policy" against future disaster assistance for flooded or floodable areas?

Answer: Flood prevention is a major purpose in almost every small watershed and flood prevention operations construction project. The construction generally provides more protection as the planned work nears completion because most plans call for the construction of several different measures that work together to provide the planned flood protection. Conversely, the first construction contract normally does not provide as much benefit as later contracts do. Therefore, under a restrained budget scenario, we would concentrate our funding in on-going projects rather than in new starts.

Question: Why do you propose to delete Farmers Home Administration's loans for flood prevention operations?

Answer: Language to delete new loans has been proposed for Fiscal Year 1985 as part of the overall budget reductions. Existing loans will continue to be serviced. No new construction starts or completions would be initiated in Fiscal Year 1985. The need for new loans would be eliminated because construction work would be essentially limited to contract modifications for projects underway.

Question: What effect would a shorter repayment period have on outlays and on program administration?

Answer: A shorter repayment period would probably tend to curtail interest in the program. The higher annual repayment schedule would make the private market more attractive compared to this program and would increase the local tax on the watershed sponsors. As a practical matter, the outlays for these loans would not change very much because the number of new loans being made each year is so small.

Question: Were some loans turned down, or were there that few applications?

Answer: No loans were turned down in Fiscal Year 1983. Only two applications were received.

Question: How much was obligated in Fiscal Year 1983?

Answer: Three loans were made in Fiscal Year 1983 for a total of $813,700. No new loans have been made in Fiscal Year 1984.

Question: What criteria are used to determine the use of emergency watershed funds?

Answer: The codified rules for administration of the Emergency Watershed Protection Program are set forth in 7 CFR 624. An amplified version is contained in Part 512 of the National Watersheds Manual. A copy of Part 512 is supplied for the record. (The information follows:)

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PART 512 - EMERGENCY WATERSHED PROTECTION

SUBPART A - GENERAL

§512.00 Purpose.

This part sets forth the requirements and procedures for Federal assistance administered by the Soil Conservation Service (SCS) under Section 216, Public Law 81-516 and Section 403 of Title IV of the Agricultural Credit Act of 1978, Public Law 95-334. Codified rules for administration of the Emergency Watershed Protection Program are set forth in 7 CFR 624.

§512.01 Objective.

The objective of the Emergency Watershed Protection (EWP) program is to assist in relieving imminent hazards to life and property from floods and the products of erosion created by natural disasters that cause a sudden impairment of a watershed.

§512.02 Scope.

Authorized EWP technical and financial assistance may be made available when an emergency exists. Emergency watershed protection consists of emergency measures for runoff retardation and soil erosion prevention as needed to reduce hazards to life and property from floods, drought, and the products of erosion on any watershed impaired by a natural occurrence.

§512.03 Administration.

(a) Administration of the EWP has been delegated to SCS who shall provide overall administrative direction and guidance for the program. SCS will transfer funds to the Forest Service (FS) at the National level for work to be installed by FS or its cooperators. Under general program criteria and procedures established by SCS, FS is responsible for administering EWP measures on National Forests and

National Grasslands. FS is also responsible for emergency measures on all forested lands or rangelands within the National Forests, on adjacent rangelands that are administered under formal agreement with FS, and on other forest lands. On these lands, emergency work is done by either SCS or FS as mutually agreed. In carrying out their responsibilities, FS and SCS work cooperatively with other Federal, State, and local government agencies. Details on FS operations are contained in FS Manual 3540.

(b) State conservationists (STC's) are to administer the program within their respective states. This includes all coordination with other agencies.

§512.04 Definitions.

(a) Watershed Emergency. A watershed emergency exists when a natural occurrence causes a sudden impairment of a watershed that creates an imminent threat to life or property. For the watershed to be eligible for assistance, the imminent threat to life or property must significantly exceed that which existed before the impairment.

(b) Natural occurrence includes but is not limited to floods, fires, windstorms, earthquakes, volcanic actions, slides, tornados and drought.

(c) A watershed impairment exists when the ability of a watershed to carry out its natural functions is reduced to the extent of creating an imminent threat to life or property.

(d) A sudden watershed impairment results from a single natural occurrence or a short-term combination of occurrences. Watershed impairments resulting from long-term combinations or series of natural or other occurrences are not considered sudden watershed impairments.

(e) An exigency exists when the near-term probability (immediate threat) of damage to life or property is high enough to demand immediate Federal action. An exigency continues to exist as long as the probability of damage continues at such a high level.

(f) A nonexigency situation exists when the near-term probability of damage to life or property is high enough to constitute an emergency but not sufficiently high to be considered an exigency (potential threat). A nonexigency situation continues to exist as long as the probability of damage remains high enough to be considered an emergency.

(g) Emergency measures for exigency and nonexigency situations are those undertaken to remove or reduce hazards created by the disaster to safeguard life and property from flooding or the products of erosion.

SUBPART B - PROGRAM ADMINISTRATION

§512.10 General.

(a) Emergency watershed protection assistance is made available when a watershed emergency is determined to exist by the STC. Procedures for providing assistance vary according to whether the watershed emergency is classified as an exigency or a nonexigency.

(b) The classification of an emergency may be changed if the situation changes. If the near-term probability that the threat to life or property is reduced because of emergency assistance or other factors, an exigency may be reclassified as a nonexigency. Similarly, as occurrences increase the probability of threats to life or property, previous nonexigencies will be appropriately reclassified as exigencies. If warranted, situations previously considered nonemergencies will be appropriately reclassified as nonexigencies or exigencies.

§512.11 Criteria for assistance.

(a) Eligible persons.

(1) Include those public or private landowners, land managers, land users, or others who (i) have a legal interest in or responsibility for the values threatened by a watershed emergency and (ii) have exhausted or have insufficient funds or other resources available to provide adequate relief from the applicable hazards.

(2) Interested persons other than Federal agencies must be represented by a project sponsor. Project sponsors must: (i) be a legal subdivision of a State government or a State itself; (ii) have legal authority and agree to use such authority to obtain needed landrights, water rights, and permits; and (iii) agree to provide for the operation and maintenance of completed emergency measures.

(b) Eligible measures.

(1) To be eligible for assistance, a measure must retard runoff to prevent flooding or prevent soil erosion, reduce threats to life or property (permanent improvements, etc.) resulting from a watershed emergency, and yield beneficial effects to more than one individual,

(2) All measures must be economically and environmentally defensible and technically sound, and be limited to what is necessary to reduce applicable threats to a level not to exceed that which existed before the watershed was impaired. All work is to be carried out in accordance with NEM-210-501.24(c).

(3) The work must conform to rules and regulations published by SCS for complying with Executive Order 11990, Protection of Wetlands, and Executive Order 11988, Flood plain Management.

(4) Measures used must be the least expensive ones which will provide immediate, adequate, and safe relief from the hazard causing the emergency.

§512.12 Cost sharing.

(a) Federal funds may bear up to 100 percent of the construction costs of emergency measures in an exigency situation and 80 percent in a nonexigency situation. Sponsors are responsible for obtaining any needed land rights.

(b) Cost sharing is waived for measures to be installed on Forest Service land.

(c) Sponsors may provide their share of construction costs in the form of cash, in-kind services such as labor or equipment, etc, or a combination of cash and in-kind services.

§512.13 Funding.

(a) The Chief allots funds to state conservationists to carry out emergency assistance within their respective states. National Technical Center (NTC) directors are allotted funds to coordinate emergency assistance activities and to ensure consistent and efficient operations for the states served. STC's are to establish procedures for charging time to EWP work as required by the SCS Time and Progress Reporting System.

(b) Funds for work to be carried out on National Forest lands by FS or by their cooperators are to be transferred to FS at the National level. If additional funds are needed for FS work, the FS is to notify Project Development and Maintenance (PDM) and arrange for appropriate transfer of funds at the National level.

§512.14 Time limits.

(a) In an exigency situation, funds must be obligated within 10 days after (1) the receipt of emergency funds, or (2) 2 days after the date of the disaster event, or (3) when conditions permit beginning construction activities, whichever is later. All work must be completed within 30 days after the funds are obligated. A 10-day extension may be granted by the Director, PDM, with justification based on unusual circumstances.

(b) In a nonexigency situation, funds must be obligated and construction completed within 220 consecutive calendar days after the date of receipt of funds. The Director, PDM may grant extensions if unforeseen or uncontrollable events cause delays. Extensions will not exceed 30 days for completion of the work. Requests must be adequately supported by documentation.

§512.15 Limitations.

(a) Emergency funds are not to be used to perform normal operation or maintenance or to solve watershed problems that existed before the disaster- causing event. These funds are not to be used to repair, rebuild, or maintain private or public transportation facilities, public utilities, or similar facilities.

(b) EWP funds are not to be used for installing rock riprap, gabions, or similar measures to provide protection to land, crops, pastures, etc.; constructing a new channel or doing work that increases predisaster capacity of a channel; removing floating debris and sediment from reservoirs or debris basins (this is Operation and Maintenance regardless of ownership); or repairing beaches, dunes, and shorelines damaged by erosion as a result of wave action.

(c) Work may not be done on any measures installed under an SCS project agreement. Generally work may not be done on measures installed by other Federal agencies unless an exception is granted by the Chief.

(d) Permanent or long-life measures such as floodwater-retarding dams, channel modification, sediment basins, and grade-stabilization structures with associated vegetative measures may not be installed as emergency measures unless they are the most expeditious way to safely obtain emergency protection.

SUBPART C - ASSISTANCE

§512.20 Application.

Sponsors may apply to any SCS office for EWP assistance. SCS shall help sponsors prepare their applications. Information supplied should include the nature, location, and scope of the problems and the assistance needed.

§512.21 Investigations.

(a) Upon receipt of an application for EWP, the STC and regional forester or area director, as appropriate, shall immediately investigate the emergency situation to determine if EWP is applicable. The FS will coordinate investigations with SCS. When carrying out the investigation, STC's must classify the degree of emergency. This determination takes into consideration two broad types or degrees of emergency situations: (1) an imminent situation of unusual urgency--and exigency--and (2) an emergency requiring action but of less urgency than an imminent situation.

(b) When an exigency exists, prompt remedial action to eliminate an imminent threat to loss of life is to be provided.

(c) If an exigency does not exist but the impairment justifies emergency assistance, the STC shall submit a request for funds to the Chief within 60 days after the disaster event. Neither SCS nor FS may commit funds until notified by the National Headquarters of the availability of funds.

§512.22 Request for funding.

(a) Exigencies.

The STC shall notify PDM and indicate the nature of the emergency and the estimate of funds needed. If funds are made available, the STC may authorize actions necessary to remedy the emergency. The STC shall confirm the situation in a memorandum to the Chief that explains the nature of the emergency, the location of the emergency, the kind of remedial work and funds needed, who the sponsors are, a description of potential damage, etc. Where an exigency exists, the memorandum from the STC constitutes the request for funds.

(b) Nonexigencies.

This report is to be concise but adequate to support the need for and eligibility of emergency assistance. The scope and detail of the report should correspond with the scope of the emergency. The request for funds is to include at least the following information:

(1) Total amount of funds needed for SCS and FS.

(2) Endorsement by regional forester or area director if there is to be any input for forest lands.

(3) Event date and cause of watershed impairment. When applicable, use event date designated by Federal Emergency Management Agency (FEMA).

(4) Date of funding request.

(5) Members of the investigation team.

(6). Location (county, parish, other) of watershed impairment.

(7) Description of impairment and of potential damages from flooding and the products of erosion including:

(i) Environmental impact.

(ii) Types of health hazards anticipated and number of people concerned.

(iii) Land use of property endangered.

(8) Map showing:

(i) Land ownership or management of endangered area (national forest, private, other).

(ii) Location of potential damage that would be prevented or alleviated by emergency treatment.

(iii) Area to receive emergency treatment.

(9) Estimated kind, quantity, and cost of emergency measures recommended.

(10) Economic defensibility of the proposed measures.

(11) Description of the environmental impact expected from installation of the recommended measures. Include a summary of substantive comments from other agencies.

(12) Identification of sponsors requesting assistance.

(13) List of other Federal, State, and local organizations that are involved. Show type and extent of involvement of each.

(14) A statement that (1) FEMA has been consulted if the disaster is major, (2) the assistance recommended is being coordinated with other emergency assistance programs, (3) other sources of funds are committed, and (4) an environmental evaluation will be made before measures are installed.

(15) Additional maps, tables, charts, or photographs as determined necessary.

SUBPART D - PLANNING AND IMPLEMENTATION

512.31(a)

§512.30 Coordination.

(a) STC's are to notify the State and regional clearing houses, FEMA, regional offices of the United States Fish and Wildlife Service, the Environmental Protection Agency, the State Fish and Game agency and other appropriate agencies of the expected emergency assistance and invite their assistance in planning and implementing the emergency work. Need for early action is to be stressed. Telephone contacts are acceptable but are to be confirmed by a written notification and request for assistance.

(b) As appropriate, an entity or entities of State government such as conservation districts and county governments, are to be asked to assist the STC in setting priorities for installation of measures.

(c) The STC's are to coordinate work with other agencies administering emergency programs, including those administered by the Agricultural Stabilization and Conservation Service, Farmers Home Administration, U.S. Army Corps of Engineers, Small Business Administration, FEMA, and other appropriate agencies. Such coordination may include specific agreements about the tasks each agency is to perform.

(d) If the area is declared a "major disaster area" by the President under Public Law 93-288, the emergency assistance is to be coordinated through FEMA. If FEMA transfers this responsibility to the Federal Regional Council during the recovery period, SCS is to be responsive to the council.

§512.31 Planning considerations.

(a) When planning emergency measures, emphasis should be placed on measures that are the least expensive and most environmentally sound. The measures are to be accomplished by using the least damaging construction techniques and equipment to preserve as much of the existing wildlife habitat as possible. Emergency construction practices may include but are not limited to such measures as seasonal construction, minimum clearing, reshaping spoil, limiting excavation to one bank (on alternate sides where appropriate), and prompt revegetation of disturbed areas. Concurrent installation of measures needed to offset adverse impacts of the emergency measures should be planned. If this is not practicable, plans should be included to ensure installation within 30 days of the other measures.

(b) Eligibility of all permanent, enduring, or long-life measures or practices proposed for construction shall be determined by a team consisting of SCS personnel from the National Headquarters and the NTC. The team shall determine the need for funds before any commitments are made. This team is also available for assistance in determining eligibility under adverse or questionable circumstances.

(c) If lands under FS jurisdiction are involved, the team will be assisted by FS representatives of the National Headquarters and area or regional offices. The team shall also be available, at the request of the STC's, regional foresters, and area directors, to help determine the eligibility of other EWP measures or practices and to assist with administrative details.

§512.32 Environmental considerations.

(a) Environmental aspects of emergency work are to be considered as carefully as possible under the given emergency situation. A program environmental impact statement for EWP work has been developed in compliance with Section 102(2)(C) of the National Environmental Policy Act of 1969 (Public Law 91-190, 83 Stat. 852 (42 U.S.C. 4321 et seq.)). The SCS Chief shall notify the Director of the Enviionmental Protection Agency by letter, with a copy to the Chairman of the Council on Environmental Quality, when funds are made available for emergency work. The notification is to be a supplement to the program environmental impact statement.

(b) An environmental evaluation is to be prepared for all nonexigency situations. Archeological, historical, or other special expertise needed is to be solicited from appropriate agencies and groups. Environmental and other considerations are to be integrated into emergency work by using an interagency and interdisciplinary planning approach.

§512.33 Methods of accomplishing work.

(a) SCS usually does emergency work by construction contract, equipment rental contract, supply contract, purchase order (small purchases), and/or employed labor. However, emergency work may be done by the sponsors. Procurement for emergency work, even in an exigency, is to be consistent with the National Contracts, Grants, and Cooperative Agreements Manual (120-V-510), Federal Procurement Regulations, and USDA and SCS supplements.

(b) Landrights must be acquired, reviewed, and certified as provided in Part 511 and 512 of the National Contracts, Grants, and Cooperative Agreement Manual.

(c) Landrights should be obtained in writing. Oral permits should be documented as soon as possible by the person making contact with the landowner.

(d) A project agreement or agreement for service is required if the sponsors are to do the work or to cost share in work to be done by SCS. Agreements are to be prepared in accordance with instructions in the National Contracts, Grants, and Cooperative Agreements Manual (120-V-514). These agreements will include requirements for needed operation and maintenance which is the sponsor's responsibility. The project agreement can be used to record a disclaimer if the remedial work does not meet SCS standards. This disclaimer may be used only if the sponsor agrees to bring the measure up to reasonable standards by other means and/or authorities after the elimination of the threat.

§512.34 Post installation review.

Post installation reviews should be made to determine if the measures installed are in accordance with policy and are effective. Reviews are to include spot checking of individual measures by the appropriate state office staff members.

SUBPART E - REPORTS

§512.40 Final report.

(a) When all work is completed, a report describing measures installed and the benefits achieved should be prepared.

(b) The report is to summarize the emergency operation (SCS and FS separately) by: (1) describing unusual situations or problems, (2) discussing benefits of the emergency assistance (describe benefits such as estimated sediment reduction, homes or businesses protected, property and job opportunities saved, or threat to loss of life reduced, (3) providing a summary of measures installed and their cumulative costs, and (4) providing a statement that emergency work is completed and that EWP is terminated. At this time, all remaining funds are to be released (state the amount to be released).

The report is to be sent to the SCS Chief and a copy to the director of the NTC.

Question: Where have the funds been used in recent years?

Answer: We will provide a list of the obligations for the years 1979 through 1983. (The information follows:)

EMERGENCY WATERSHED PROTECTION PROGRAM
DIRECT OBLIGATIONS BY YEAR

STATE	FY79	FY80	FY81	FY82	FY83
AL	13,223	288,985	5,093	26,939	-1,959
AR	0	0	5,156	61,312	1,490,037
AZ	5,877,160	2,086,520	1,065,471	20,831	17,857
CA	48,882,004	-680,629	645,917	4,605,092	3,411,032
CO	153,478	-706	7,717	132	0
CT	169,109	45,781	0	2,983,494	919,305
FL	32,471	783,031	36,234	-1	0
GA	373,757	174,801	7,758	-1,142	-745
HI	287,636	382,196	0	10,000	10,000
ID	-16,113	117,695	189,755	76,564	56,366
IA	207,953	31,569	4,914	-6	0
IL	0	0	6,000	0	0
IN	12,555	60,931	4,316	107,289	0
KS	16,265	0	6,830	0	0
KY	355,137	10,257	20,978	-6,288	37,733
LA	0	0	4,799	87	0
MI	0	0	6,895	0	0
MN	14,189	2	5,866	-1	0
MO	-38,895	0	7,792	2,480	307,921
MS	6,205,753	1,230,541	77,299	108	5,815,774
MT	235,177	-45,076	158,372	14,602	-1,344
NC	277,631	-22,197	4,457	34,291	0
ND	92,784	0	16,224	0	21,126
NE	0	0	6,827	3	428,396
NJ	-4,592	0	124,373	322,457	52,994
NM	226,980	-2,161	7,411	-573	0
NV	0	0	169,499	246,495	43,363
NY	873,420	503,987	-3,087	1,624,820	369,675
OH	0	54,266	101,201	0	13,321
OK	0	0	7,344	-15	0
OR	3,997,973	95,455	24,276	153,019	14,081
PA	225,975	972,720	2,790,114	-312,015	1,094,337
PR	820,062	1,185,065	202	0	0
RI	3,158	66,243	0	0	0
SC	0	0	965	0	0
SD	0	0	10,358	-379	-696
TN	1,480,592	726,829	13,980	55,219	158,362
TX	8,213	408,830	11,922	17,691	10,735
UT	0	0	0	0	924,679
VA	0	50,820	0	0	0
VT	48,962	0	0	0	0
WA	2,427,560	2,563,031	5,372,354	1,036,346	-362,802
WI	0	0	6,464	3	0
WV	0	250,597	195,441	0	0
WY	875,566	51,936	14,810	136,398	0
Sub-Total	74,135,143	11,391,319	11,142,297	11,215,252	14,829,548

EMERGENCY WATERSHED PROTECTION PROGRAM
DIRECT OBLIGATIONS BY YEAR (Continued)

STATE	FY79	FY80	FY81	FY82	FY83
Nat'l Tech. Ctrs.	53,092	103,045	35,655	40,051	25,421
NHQ	79,436	53,028	16,677	8,367	18,671
Total SCS	74,267,671	11,547,392	11,194,629	11,263,670	14,873,640
Forest Svc.	3,405,000	2,711,898	230,911	1,020,739	1,123,501
TOTAL	77,672,671	14,259,290	11,425,540	12,284,409	15,997,141

Note: Minus signs indicate that prior year funds returned for use in other states exceeded new funds received during the year. This happens when previous contract work is less costly than anticipated.

Question: How many requests have you turned down, and where?

Answer: We do not keep records of disapprovals at the National Headquarters, although this information is available in our state offices. Generally, disapprovals are for portions of the requested measures rather than a total disapproval. Most disapprovals are based on lack of threat to life or property and on hazards that are accumulated over several years—operations and maintenance—rather than from a single event or related events.

Question: How much was obligated in Fiscal Year 1983?

Answer: The obligations in Fiscal Year 1983 were $15,997,141.

Questions: How much has been obligated in Fiscal Year 1984?

Answer: To date, we have allotted $15,568,300 for emergency watershed protection work and approximately one-third of this amount has already been obligated. The remaining funds will be obligated as soon as contracts currently being sought to repair the damaged watersheds can be negotiated.

Question: What is the difference in P.L. 534 and P.L. 566 operations?

Answer: The Flood Prevention Public Law 534 and the Watershed Public Law 566 programs have similar objectives. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in flood prevention projects generally parallel those used in watershed protection projects. The major difference between the two programs is geographic rather than programmatic. The PL-534 operations are restricted to the eleven watersheds specifically designated in the Flood Control Act of December 22, 1944, while the PL-566 program is free to operate nationwide.

Question: Do you obligate on a year-to-year basis, or do you obligate for the life of a contract?

Answer: Obligations are made for the life of the contract.

RIVER BASIN SURVEYS AND INVESTIGATIONS

Question: Why have you proposed to discontinue funding for the River Basin Surveys and Investigations for the Pearl River in Mississippi?

Answer: No funds were requested for Pearl River basin study in Mississippi in accordance with its schedule to be completed in fiscal year 1984. It may be necessary to conduct a supplemental investigation of the need for land treatment above a proposed Corps of Engineers dry flood water dam. If a request is received to fund a supplemental study, it will be considered along with similar requests for fiscal year 1985 undistributed funds.

Question: You propose a 50 percent cut of $77.4 million in small watershed operations. $17 million of this would be "to offset part of the $100 million in the 1983 Jobs Bill that accelerated ongoing work." Obviously, if the Congress appropriated $100 million, we meant for $100 million to be spent. This seems to be a "backdoor" approach to a rescission. Is that what it is meant to be?

Answer: No attempt is being made to rescind the $100 million appropriated in the 1983 Jobs Bill. The funds were used to stimulate employment and to accelerate planned small watershed and flood prevention work. The $17 million offset in the budget has been proposed as one of many actions needed to keep the Nation's economy from slipping into a recession. The idea was that a portion of the $100 million that was used to accelerate the work when jobs were needed could be offset against each year's appropriation once employment reached acceptable levels. The offset would reduce the need for additional Treasury borrowing which, in turn, would reduce the pressure on higher interest rates that lead to higher inflation and all the other economic factors that produce a recession. The reasons for the proposal are economic in nature and attempt to fluctuate the level of funding for the program in harmony with other Federal and non-Federal economic conditions.

WIND EROSION

Question: Are you collecting data on effects of wind erosion? If so, when will the results be available for evaluation?

Answer: Wind erosion data are collected in two ways:

1. Annually - Annual (blowing-season) reports on land damaged, crops damaged, land in condition to blow, and emergency tillage to prevent wind erosion. This report is made 3 times a year for 541 counties in the 10 Great Plains states. Results are available for evaluation in 3 reports released by SCS each year in January, March, and June.

2. National Resources Inventory (NRI) - The 1977 NRI wind erosion data have been published in the 1980 RCA Appraisal Part 1, and in USDA Statistical Bulletin number 686 issued December 1982. They show soil loss in tons per acre, per year for selected land uses.

The 1982 NRI wind erosion data are scheduled for release as preliminary data early in April 1984. They summarize wind erosion by state in tons per acre per year, by land use, by Major Land Resource Area (MLRA) and by land capability class and subclass.

OFF-SITE COSTS OF EROSION

Question: What efforts are you making to acquire the data necessary to estimate the off-site, as well as on-site, costs of erosion?

Answer: We have two major activities underway. We are working with Resources for the Future and several other U.S. Agencies to develop a national model for estimating off-site costs of erosion. Phase I of the effort which is designed to improve our data base will be completed this year. Secondly, we are planning a National Symposium to assess the state-of-the-art for determining the economic effects of off-site erosion. We are hopeful that this effort will help to accelerate the development of technology to address this area of conservation concern.

DEFINITION OF "T" VALUE

Question: Please explain what the "T-value" for soil is. How is it determined? Is there some measure of erosion's effect on the subsoil?

Answer: The term "soil loss tolerance" commonly, expressed as "T-value," denotes the maximum level of erosion that will permit a high level of crop productivity to be sustained economically and indefinitely.

Soil loss tolerances were derived by soil scientists, agronomists, geologists, soil conservationists and Federal and State research leaders at a series of workshops in 1961 and 1962. These scientists considered many factors in defining these limits including soil depth, physical properties, root development, gully prevention, on-field sedimentation problems, seeding losses, organic matter reduction and plant nutrient losses.

Currently, there is no reliable measure of erosion's impact on subsoil. This will vary greatly depending on the type of soil, amount of past erosion, the amount of mixing of top soil and subsoil through cultural activities. In many cases, erosion is accelerated as subsoil is exposed.

PROGRAM EVALUATIONS

Question: Have you conducted evaluations of the effectiveness of your major programs (Conservation Operations, Great Plains, ACP), including cost-effectiveness?

Answer: The Soil Conservation Service has developed a ten-year schedule to conduct evaluations of each SCS program. Evaluations currently in progress are as follows:

1. The Plant Materials Centers evaluation is in the final review process.
2. The Conservation Technical Assistance program evaluation is scheduled to be completed during fiscal year 1984.
3. The P.L. 566, Small Watersheds Program, and the National Cooperative Soil Survey program evaluations are in the initial implementation phase with final reports planned for 1985.
4. The Great Plains Conservation and Resource Conservation and Development program evaluations are in the initial planning phase.

ACP, which is administered by the Agricultural Stabilization and Conservation Service, will be evaluated on an ongoing basis through the new Conservation Reporting and Evaluation System now operational in all counties.

COST/BENEFIT DATA ON CONSERVATION PRACTICES

Question: It is my understanding that your county offices are collecting or have collected data for a cost/benefit analysis of specific conservation practices. Could you give us a progress report on that activity? What processes are the counties going through to acquire this data, and when do you foresee an evaluation of the data?

Answer: During the 1983 fiscal year, several agencies within USDA jointly developed and tested a new Conservation Reporting and Evaluation System (CRES). This system is being used by Soil Conservation Service, Forest Service, Agricultural Stabilization and Conservation Service, and Economic Research Service to report the cost, effects, and extent of conservation practices.

The main difference in the new system is the effects portion. The system can be used to collect the effects on Wildlife Habitat Diversity, Erosion Control (before and after rates of erosion), Water Conservation, Water Quality, Forage Management and Wood Production. Evaluation of data collected from the 1983 testing dictated some improvements to the 1984 programs.

County personnel record the actual cost of applying the practices. They get the cost from the farmers or conservation contractors who do the work. Each county estimates the cost of applying practices which are not cost-shared based upon the local conditions.

The system is designed to provide continuous evaluation of the data so that program managers can spot problems and make timely program improvements.

SNOW SURVEY

Question: How do your snow water surveys differ from the U.S. Geological water summary?

Answer: The United States Geological Survey (USGS) water summary is a detailed look at water resources conditions throughout the United States. It covers such things as improving river management, interstate water conflicts, water project development, Indian water claims and water quality.

The Soil Conservation Service (SCS) Snow Survey Program is a water supply forecasting service operated in Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, Wyoming and Alaska. California has their own Snow Survey Program. SCS measures the snow water equivalent at nearly 1500 snow courses throughout the west from January to June every year. These snow water measurements are converted into stream flow forecasts for over 500 forecast points. Many of these forecast points are synonymous with USGS gaging stations.

INVENTORY AND MONITORING

Question: What is the difference in inventory/monitoring and resource appraisal?

Answer: The inventory and monitoring program is a data collection activity which is authorized by Public Law 92-419, the Rural Development Act of 1972. This is the program under which SCS carries out the National Resources Inventories which are currently done on a five-year cycle to collect and interpret data on the status of soil, water, and related resource conditions on nonfederal lands. Special inventories such as reporting on wind erosion conditions in the Great Plains States, and identification of important farmlands are also carried out under this program. The data collected through these various inventories is used for national conservation program planning and appraisals and for State and local land use and conservation decisionmaking.

Under the Resource Appraisal and Program Development activity, SCS uses the data collected through the inventory and monitoring program along with other national economic and agricultural data, analyzes it, and develops recommendations for USDA national soil and water conservation policies and programs as required by Public Law 95-192, the Soil and Water Resources Conservation Act of 1977, or the RCA.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

Question: I noticed that the budget for FY85 is approximately 21% below FY84 budget and I want to commend you for your efforts at controlling spending. I am concerned, however, that through our efforts to control spending we may be reducing needed programs to a level which will make them ineffective. You stated that the FY85 budget reflects a reduction of $1.2 million dollars to be brought about through management efficiencies. Could you outline the specific steps that you are taking or plan to take to improve the management efficiencies of the department?

Answer: The reduction of $1.2 million is related to two government-wide initiatives. The first initiative is an OMB directive to reduce the numbers of personnel providing administrative support services through a process of selective consolidation and reorganization of these functions. The 1985 budget reflects a reduction of $260,000 related to this item. The Soil Conservation Service currently has administrative support personnel in all fifty state offices, Puerto Rico, and the National Headquarters in Washington. We are now studying the possibility of consolidating administrative support activities from 53 locations to 10 or fewer locations. This study should be completed by the end of this fiscal year.

The second initiative is related to a program announced by the Office of Personnel Management to reduce the numbers of employees at the GS-11 to 15 levels through attrition. The SCS budget reflects a reduction of $922,000 in 1985 related to this item.

Larger reductions are planned for fiscal year 1986 through 1989 related to both of these initiatives for a total cumulative savings to SCS of $31.2 million over the five-year period.

Question: It has recently been brought to my attention that there seems to be a communication problem between the SCS and the Soil Conservation District of Central Bingham County in Idaho. The Central Bingham Soil Conservation District Board expressed their concern over relations between their board and the Area Conservationist. According to their Memorandum of Understanding dated July 9, 1970, the SCS would consult with the district whenever substantial changes in assistance to be made available are contemplated and will notify the district in advance whenever changes are to be made. Bingham County Soil Conservation District reported that in at least two instances this memorandum has not been upheld.

Recent personnel changes and the downgrading of the Aberdeen Field Office and its placement under the supervision of the Blackfoot Office were not discussed with the board or even mentioned to the members prior to the changes. Could you please state why these changes were made, who made the decision, why the local Central Bingham Soil Conservation District Board was not notified, and what can be done now to reinstate the confidence to the Central Bingham SCD Board in the SCS? Budget cuts need not produce communication problems, it should be a higher priority than ever to maintain good communication with the local boards.

Answer: I understand that our state conservationist for Idaho has since provided you with a written response to these concerns. Obviously, there was a breakdown in initial communications between SCS and the conservation district. Since then Mr. Hobson, our state conservationist, has met with Messrs. Goodwin and Clinger of the Central Bingham District to explain the staffing changes more thoroughly. We regret the communication breakdown and will increase our efforts to improve communications in the future.

Question: The Kootenai Valley Reclamation Association and the Army Corps of Engineers have documents which show an annual erosion rate on the average of 4.04 acres per year on land that runs along the Kootenai River below the Libby Dam in Kootenai County near Bonners Ferry, Idaho. Land owners effected by the water fluctuations have appealed to the Corps of Engineers to help mitigate the erosion but have not received help. Is there any way that the Soil Conservation Service could be of service in this situation?

Answer: I believe the area you speak of was diked by the U.S. Army Corps of Engineers in the late 1950's or early 1960's. Therefore, it is likely that there are some continuing arrangements for operations and maintenance responsibilities by the Corps of Engineers and/or the association. Generally problems of this type are very expensive to correct and exceed the authorities of the Soil Conservation Service.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

WATERSHED AND FLOOD PREVENTION NEW STARTS

Question: The budget proposes no new starts for watershed projects in FY 1985. Please provide the Committee with a list of those projects which are anticipated to be ready for a new start in fiscal year 1984 and those that will become ready in fiscal year 1985.

Answer: We will provide that information for the record. (The information follows:)

FY 1984 Potential New Construction Starts
Watershed Protection and Flood Prevention Projects
Public Law 83-566

State	Project Name
Arkansas	South Fork
Connecticut	Avery Brook
Kansas	Grasshopper Coal
Kansas	Diamond Creek
Kansas	Middle Creek
Louisiana	Bell City
Louisiana	East Carroll
Massachusetts	Baiting Brook
Missouri	Mozingo

State	Project Name
Mississippi	Line Creek
Nebraska	Wolf Wildcat
North Carolina	Town of Creswell
North Carolina	Moss Neck
Ohio	Rattlesnake
South Carolina	Hollow Creek
South Carolina	Little River
Virginia	Great Creek
Vermont	Upper Castleton River
Wisconsin	Maiden Rock Coulee
West Virginia	Piney Creek-Soak Creek

There have been no new construction starts in FY 1984; however, we have asked OMB for approval for 4 new construction starts. They are Bell City, Louisiana; East Carroll, Louisiana; Mozingo, Missouri; Hollow Creek, South Carolina.

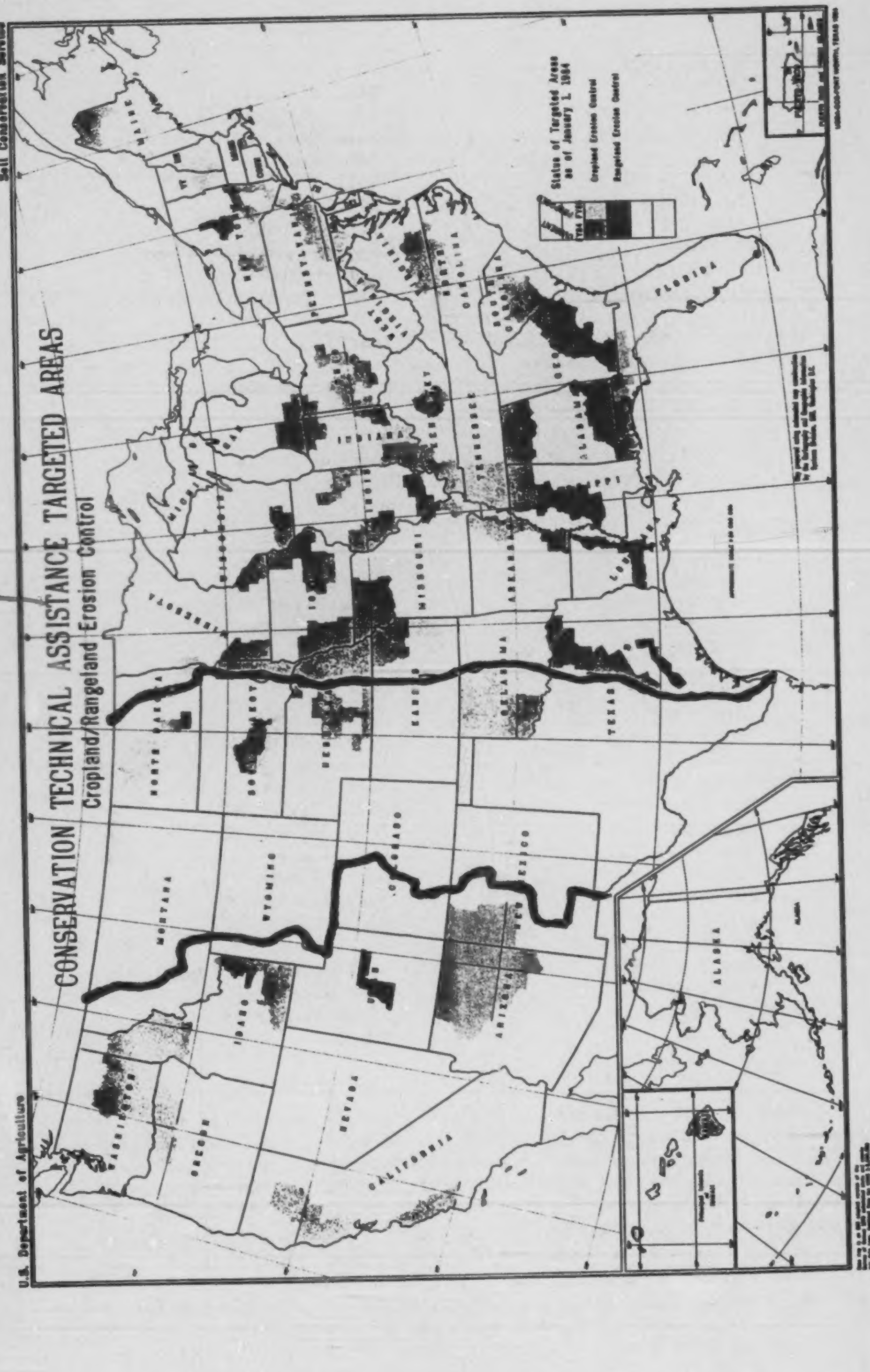
FY 1985 Potential New Construction Starts
Watershed Protection and Flood Prevention Projects
Public Law 83-566

State	Project Name
Alabama	Moores Creek
Arkansas	Plum Bayou (Flat Bayou)
Arkansas	Larkin Creek
Florida	Jumper Creek
Georgia	Tesnatee
Idaho	Brundage
Minnesota	South Zumbro
North Carolina	Little Contentnea Creek
North Carolina	Sandy Creek
North Carolina	Swan Quarter
New York	Blind Brook (CT)
Oklahoma	McKinney Buzzard
Oklahoma	Hoyle Creek
Oregon	North Powder River
Puerto Rico	Guayanes River
Texas	Elm Creek
Texas	Red Deer Creek
Texas	West Fork of Buffalo
Washington	East Wenatchee
West Virginia	Upper Mud River
Wyoming	Douglas

GREAT PLAINS CONSERVATION PROGRAM TARGETING

Question: The budget proposes to target 15 percent of the Great Plains Conservation Program funds to nationally identified critical resource problems. Please indicate where these problems are located and how the distribution of funds using the targeting method will differ from the traditional method of distributing funds for new contracts.

Answer: We will provide for the record maps that indicate targeted areas in the Great Plains for water conservation and erosion control. The State Conservationists are responsible for directing 15 percent additional new contract funds into targeted areas within each state. Targeting funds (15 percent) are deducted from the base allocation to the state then earmarked at the national level to be obligated in targeted areas in addition to what would have been obligated without targeting. (The maps follow:)

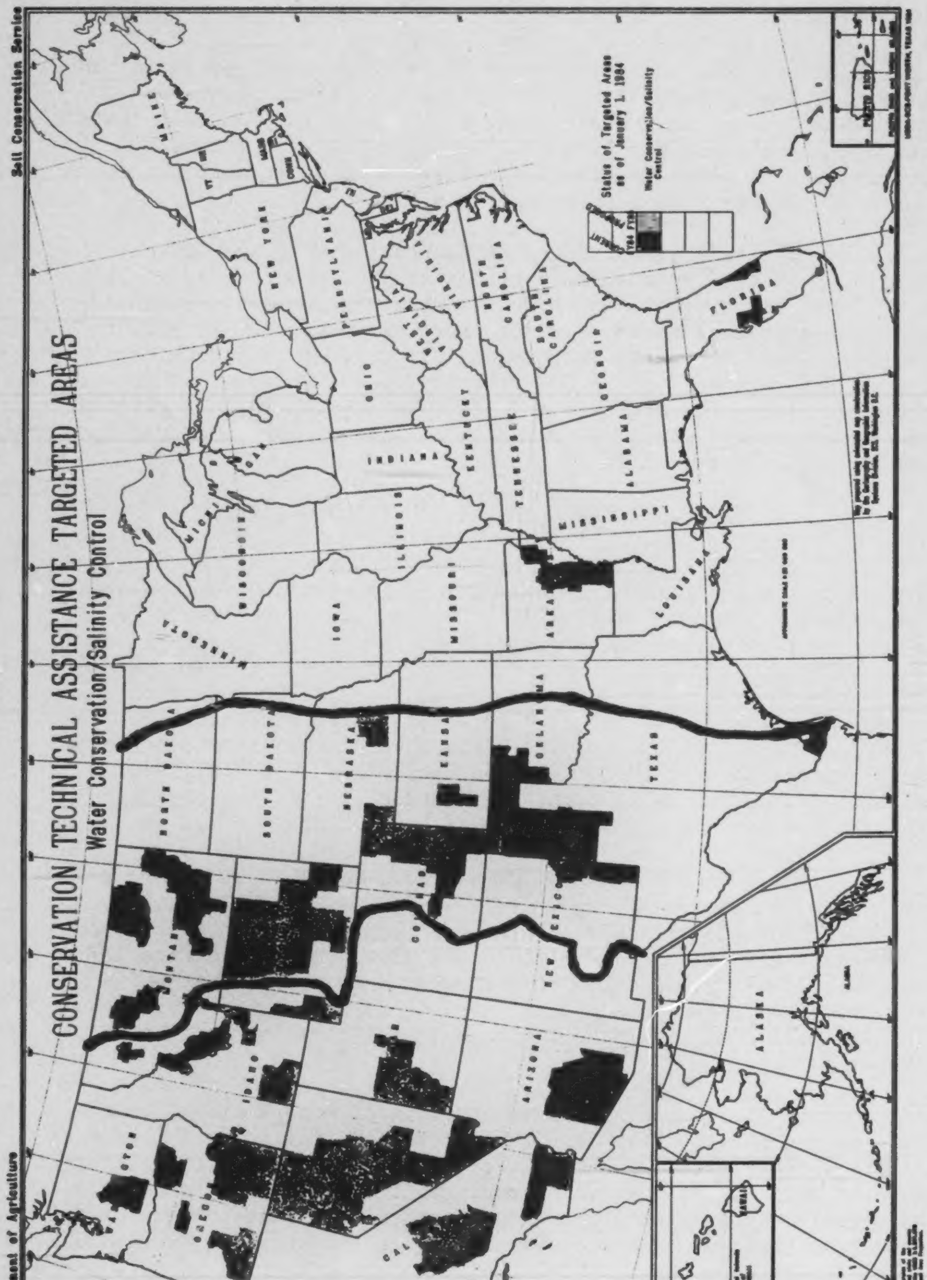


CONSERVATION TECHNICAL ASSISTANCE TARGETED AREAS
Cropland/Rangeland Erosion Control

U.S. Department of Agriculture

Soil Conservation Service

Status of Targeted Areas as of January 1, 1984
FY84
FY85
Cropland Erosion Control
Rangeland Erosion Control
WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
COLORADO
ARIZONA
NEW MEXICO
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
ILLINOIS
MISSISSIPPI
MICHIGAN
INDIANA
KENTUCKY
TENNESSEE
ALABAMA
OHIO
GEORGIA
FLORIDA
NORTH CAROLINA
SOUTH CAROLINA
VIRGINIA
WEST VIRGINIA
PENNSYLVANIA
NEW YORK
VT
NH
MAINE
ALASKA
PUERTO RICO



U.S. Department of Agriculture

Soil Conservation Service

CONSERVATION TECHNICAL ASSISTANCE TARGETED AREAS

Water Conservation/Salinity Control

Status of Targeted Areas as of January 1, 1984

Water Conservation/Salinity Control

CONCERN
FY84 FY85
MAINE
VT
NH
MASS
CONN
NEW YORK
PENNSYLVANIA
OHIO
INDIANA
ILLINOIS
WISCONSIN
MICHIGAN
MINNESOTA
IOWA
MISSOURI
KENTUCKY
TENNESSEE
WEST VIRGINIA
VIRGINIA
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA
ALABAMA
MISSISSIPPI
FLORIDA
LOUISIANA
ARKANSAS
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MONTANA
WYOMING
COLORADO
NEW MEXICO
IDAHO
UTAH
ARIZONA
NEVADA
WASHINGTON
OREGON
CALIFORNIA
ALASKA
HAWAII
PUERTO RICO

REDUCTION IN STAFF YEARS

Question: The budget proposes to decrease staff years for SCS primarily due to reduced construction activity and proposed decreases in ASCS cost-share programs. Should the Congress restore funding to maintain the FY 1984 level of activity for these programs? How many additional staff and what additional funding would be necessary to support that staff?

Answer: Staff year reductions associated with the budget decreases in ASCS cost share programs and SCS programs total 551. Additional funds, over and above the program restorations, would not be required since these staff years are supported by either reimbursements from ASCS program dollars or from the technical assistance portions of the SCS program funds. However, we do not recommend these restorations at this time for the reasons given in the budget justifications—primarily because of the need to reduce overall Federal spending.

FUNDING REQUIREMENTS AT THE FY 1980 LEVEL

Question: In constant dollar terms, how does the requested FY 1985 budget compare with the actual funding provided for the soil conservation programs in FY 1980? What funding level would be necessary to maintain these programs at the FY 1980 level?

Answer: Excluding emergency funds, the FY 1985 budget request is $33.1 million below the FY 1980 actual appropriations level of $508.1 million. In constant FY 1985 dollar terms, it would require $690.1 million in FY 1985 appropriations to match the FY 1980 level. Obviously, this is not recommended considering the current need to control Federal spending.

USE OF CONSERVATION FUNDS FOR IRRIGATION RESOURCES

Question: Concern has been raised regarding the possible use of conservation funds to assist in the development of irrigation resources. Can you provide an estimate as to what extent SCS resources and programs are being used to develop water resources for irrigation and assisting farmers in establishing irrigation systems?

Answer: We do not have data on irrigation work alone, however, we estimate that in FY 1984 SCS will use $59 million or 9.8 percent of its appropriated funds for water conservation activities of all types. Not all of these water conservation activities funds will be used for irrigation purposes or on irrigated lands. Some of the funds are used for drainage purposes or salinity control purposes in nonirrigated areas.

EQUIPMENT PURCHASES

Question: The explanatory notes indicates an historical level of spending of about $13 million for equipment for SCS. Please describe for what these funds are used and for what the $11 million for equipment will be used in fiscal year 1985.

Answer: The SCS funds spent for equipment purchases in fiscal year 1983 were for soil survey equipment, motor vehicles, engineering equipment, micro-computers, general office equipment, i.e., typewriters, calculators, desks, etc., and any other equipment of a durable nature costing $10 or more. The $11 million budgeted for fiscal year 1985 will be used to make similar equipment purchases.

PLANT MATERIALS CENTERS

Question: The notes indicate the 116 staff years and $3.9 million will be devoted to the operation of the plant material centers in fiscal year 1985 and $4.3 million but only 38 staff years will be devoted to resource appraisal and program development. Please explain why we get so many more staff years per dollar spent on operating the plant material centers than for resource appraisal.

Answer: The Plant Materials centers program is a more labor-intensive program with 67 percent of its funds going for personnel salaries and benefits. In addition, about 33 of the 116 staff years utilized by the Plant Materials Centers are seasonal laborers and other part-time and intermittent employees whose salary and related benefits cost significantly less than those for a skilled full-time employee. Only about 42 percent of the funds available for Resource Appraisal and Program Development are currently being used for personnel salaries and benefits. A significant portion of the funds available for this activity, or about $2 million in 1984, are used for contractual services for modeling such as the EPIC and CARD models developed and run by the Economic Research Service and Iowa State University, and for other data analysis and processing functions needed to carry out the activities mandated by the Soil and Water Resources Conservation Act of 1977. These activities are performed on a cyclical basis every five years and the number of staff years devoted to this activity will vary according to this cycle. For example, in FY 1982, this program utilized 78 staff years while the major emphasis was on preparing the National Conservation Program. In addition, because these activities are centered around program analysis and policy development, a more specialized and skilled employee is needed to carry out this work.

FUNDING FOR INFORMATION PERSONNEL

Question: How many public information personnel does SCS have and what level of funding is required to support them and their activities including publications they produce.

Answer: We do not keep records in the degree of detail to tell exact costs for information personnel. However, there are currently 130 information personnel and we estimate that this staff level costs approximately $4.7 million annually for salaries, related benefits and support costs, and for periodicals, pamphlets and audiovisual materials that they produce. Public information is only a part of the activities carried out by these personnel. Other activities include preparing articles for internal use, dissemination of conservation information to field and other staffs, and training other field personnel to work more effectively with cooperators and others in special promotions such as conservation tillage.

TARGETING FORMULA

Question: Please describe briefly the methodology used for targeting assistance and any changes that have been made in the targeting formula over the past two years.

Answer: We will provide for the record a paper which summarizes the criteria that are used in selecting areas targeted for accelerated technical assistance. There has been no significant change in these criteria over the past two years except that we have given greater recognition to the so-called "sensitive" soils where lower erosion rates have a potentially greater adverse impact on soil productivity. (The information follows:)

SOIL CONSERVATION SERVICE
Conservation Technical Assistance
Criteria for Selection of Targeted Areas

Purpose and Objectives:

The purpose of national targeting is to emphasize the protection of the Nation's agricultural production capability through increased erosion control and water conservation. Targeting is designed to accelerate conservation treatment in areas that have more critical and persistent erosion and water problems. Targeting differs from ongoing CTA efforts in that it singles out a specific type and degree of resource problem, whereas, the ongoing effort addresses multiple types and degrees of resource problems in accordance with local and State priorities. Targeting will demonstrate that a concentrated conservation effort can be effective in reducing major problems in a cost-effective manner. It also supplements the ongoing conservation efforts by focusing on national conservation priorities as set forth in the National Conservation Program.

Rationale for Selection of Targeted Areas:

Our rationale for selecting targeted areas is based on the following criteria:

- Severity, extent, and impact of the problem.
- Degree of success expected in terms of accomplishments and cost-effectiveness.
- Local interest and/or financial support for the proposed effort.

The severity, extent, and impact of the problem under consideration are intended to clearly identify the most critical problems. For example, if cropland erosion is the problem, what is the annual rate of soil loss per acre and how many acres are affected? How does this problem impact on agricultural production and what are the offsite damages? Is there really a critical problem?

The second consideration is designed to look at the expected degree of success in terms of the amount of accomplishments achieved and cost-effectiveness of the treatment. If proposed solutions to the problem are too costly, farmers will not apply enough treatment to reduce the severity of the problem. In other cases, there may not be sufficient technology available to develop a solution to the problem. In still other cases, farmers may not install conservation treatment without adequate financial incentives. These and other considerations affect the amount of success that we will have in treating critical problems. Unless there is clear evidence that a high degree of success in reducing the problem can be achieved, other problem areas should be selected.

A third and most important consideration is the local interest in and support for the targeted proposal. If local citizens and groups do not recognize the problem, or lack the interest to do something about the problem there is little chance for success. Targeting proposals must have the support of conservation district officials, the Agricultural Stabilization and Conservation Service (ASCS) county committees, and others. Our philosophy is to increase assistance where there is an ongoing local effort rather than initiate the effort.

Basis for Selection

A. Erosion

Targeting proposals for erosion control will be considered in the following order of priority:

-Cropland erosion
-Rangeland erosion
-Forest land or pastureland erosion

Proposals for erosion control on other than cropland will be considered on a pilot basis only until fiscal year 1985 or later. Our first objective nationally is to target a majority of the critical cropland erosion areas before expanding the focus of targeting to other land uses.

The basis for selecting erosion control targeted areas in order of preference is:

1. Cropland

-Areas experiencing high gross erosion rates that have high offsite damage and moderate impact on productivity

-Sensitive soil areas where soil depth is a serious limitation and continued erosion will have a high impact on future productivity. (These areas have soil T values of less than 5 tons and are eroding at rates higher than T).

2. Rangeland

-Rangeland that is eroding at more than 5 tons per acre and has a fair or poor stand condition.

-Rangeland that is eroding at from 2 to 5 tons per acre and has a fair to poor stand condition.

No specific erosion category has been identified for forest land or pastureland. Targeting proposals for these land uses will be considered based on the individual merits of each proposal. Proposals for these land uses will not be considered until all other eligible erosion control proposals have been considered and acted upon.

B. Water

Targeting proposals for water conservation will be considered in the following order of priority:

-Irrigated areas having salinity problems
-Irrigated areas of rapid ground water depletion
-Irrigated areas that are water-short
-Dryland cropland that has need for water management and water conservation

The basis for selecting water conservation areas includes:

-Salinity levels
-Ground water depletion rates
-Average number of water-short months during the growing season
-Source and amount of water supply

C. Other

Up to 5 percent of the total targeted funds may be directed to other serious resource problems in fiscal years 1986 and 1987. Other serious problems include water quality improvement, nonpoint source pollution, and rangeland condition improvement. No specific criteria for selection of this category of targeted areas have been identified. Targeting proposals that address these problems will be considered for selection on the individual merits of each proposal.

DECREASES IN CONSERVATION OPERATIONS FUNDING AND STAFFING

Question: The conservation operations estimate for fiscal year 1985 assumes a $4.9 million reduction in funding and 267 staff year increase. What non-staffing activities will be discontinued in order to support the additional staff years in fiscal year 1985?

Answer: The $4.9 million decrease shown in the 1985 Budget request for conservation technical assistance will not result in a reduction in staff years for this activity. These funds were provided by the Congress as an increase in funding for base program operations in 1984 and are being utilized primarily for non-personnel items such as improving our ADP capability, contractual services, and replacement of vehicles that are beyond economical repair. The estimated staff years also reflect the significantly constrained employment ceiling under which SCS is operating for FY 1984 during which we are also carrying out a full construction program under our Watersheds program, and Resource Conservation and Development program. As these activities are proposed to be greatly reduced or terminated under the 1985 budget, some personnel will be freed up to carry out conservation technical assistance work.

TARGETING FOR IRRIGATION

Question: Under the increased targeting proposal for FY 1985 what level of support will be dedicated to irrigated crop areas. Please provide the details of where the increases will be directed and for what purpose they will be used.

Answer: Targeting technical assistance funding increases totaling $1.375 million are proposed for the existing water conservation targeted areas in FY 1985. Water conservation targeted areas address groundwater depletion, salinity, inadequate surface water supplies, and low irrigation efficiencies. One additional water conservation targeted area funded at $50 thousand is included in the proposal. This area is located in Nebraska.

Total targeting technical assistance funding directed to irrigated crop areas is proposed to be $5.590 million in FY 1985.

WATERSHED PLANNING

Question: The budget proposes to reduce funding for watershed planning. Should the Congress decide to continue support for new planning starts in fiscal year 1985, would additional resources be needed or could new planning starts be accommodated within the requested funding level?

Answer: No new plans can be started at the requested funding level. The funding level requested relates to proposed decreases in construction funding and is necessary to maintain program balance.

EMPLOYMENT IMPACTS OF FUNDING REDUCTIONS IN WATERSHED CONSTRUCTION

Question: The budget proposes a substantial reduction in construction funding for watersheds in fiscal year 1985. If the Congress were to agree to this reduction what would be the impact on the number of construction jobs that would be supported by the watershed program in fiscal year 1985?

Answer: A total of about $16.2 million would be used for construction work in fiscal year 1985 for the small watershed program and the flood prevention program. This is a reduction of nearly $141.1 million from the amount that is available for fiscal year 1984. The reduction would translate into almost 13,000 one year long jobs. There would be fewer jobs if each job lasted for more than one year, and there would be more jobs if each job lasted less than one year.

FARMERS HOME ADMINISTRATION LOANS

Question: The notes indicate an allocation to FmHA of $590,000 in FY 1985 for watershed and flood prevention activities. For what purpose will these funds be used?

Answer: Insured loans under the Agricultural Credit Insurance Fund are made to local organizations for financing the local share of the cost of installing, repairing and improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved projects. These loans are repayable over a period of not more than 50 years and they may be for up to $10 million. FmHA has been given the authority to make loans to financially sound applicants who are eligible for Watershed and Flood Prevention loans. The $590,000 would be used to pay FmHA pesonnel to provide the annual loan service on outstanding loans made in prior years needed to protect the government's investment. No new loans would be made in fiscal year 1985.

USE OF PRODUCTION PRACTICES IN GPCP

Question: The language appropriating funds for the ACP program prohibits funds from being used for carrying out measures and practices that are primarily production-oriented or that have little or no conservation or pollution abatement benefits. If similar language and regulations used in implementing that language were applied to the Great Plains Conservation Program, what impact would it have on the practices that are currently utilized in the Great Plains Program? How much was spent in support of those practices in fiscal year 1983?

Answer: There should not be any impact since the Great Plains Conservation Program (GPCP) is a long-term conservation program and does not fund practices which are primarily for the purpose of production. However, our evaluation of the GPCP is scheduled for completion in July of 1986 and should provide data that will permit us to answer this kind of question in a more definitive way.

IRRIGATED PRACTICES UNDER GPCP

Question: How much was spent in support of irrigation related practices under the Great Plains Program in fiscal year 1983 and how much is anticipated in fiscal year 1984 and fiscal year 1985?

Answer: In fiscal year 1983, $514.5 thousand of GPCP funds were spent by SCS in support of irrigation related practices. We anticipate that a similar amount will be spent for irrigation practices in fiscal years 1984 and 1985.

FY 1984 SMALL WATERSHEDS OBLIGATIONS

Question: What are the current estimates for the level of small watershed funds that will carry over from fiscal year 1984 to 1985?

Answer: It is anticipated that all funds available for the small watershed program will be obligated during fiscal year 1984 and that none would be carried over into fiscal year 1985. These funds have been allotted to each of the fifty states based on their estimate of work that needs to be done in fiscal year 1984. States that are unable to do the planned work will return the funds to National Office before the end of the year and the funds will be reallotted to other states that can use the funds. The states that returned their funds will receive new funds when the delayed work is ready to start.

The process does allow for some of the funds to be carried over into the next year for a variety of reasons. For example, a contract that was estimated to be ready to award before the end of the fiscal year may be delayed into the first couple of months of the new fiscal year or the final bid may be less than the amount that was estimated when the funds were allotted. The amount carried over in recent years into the following fiscal year has been as low as $1 million, or less than 1 percent of the amount available. The amount carried over in fiscal year 1984 is $67.8 million. About $48.3 million of the carryover is from the 1983 Jobs Bill Supplemental which was appropriated in late March, 1983. Current estimates are that all of the funds available for small watershed work will be obligated in fiscal year 1984.

PASSENGER MOTOR VEHICLES

Question: The budget proposes the purchase of an additional 25 vehicles and 400 replacement vehicles. With a total fleet of 10,517 vehicles this represents enough vehicles for all of your field staff above a GS-5 level. Has there been any recent evaluations done of the vehicular needs of SCS? If so, please summarize the findings of evaluation.

Answer: No study or evaluation has been performed recently.

Question: With a proposed reduction in your field permanent positions of 172 in fiscal year 1985, what justification is there for expanding the number of vehicles?

Answer: The Soil Conservation Service provides each employee with the transportation necessary to safely and efficiently perform requested duties. In addition, it is SCS policy to make transportation available to personnel of cooperating agencies and volunteers so that they may assist SCS employees as provided in the covering agreements.

The Soil Conservation Service has not replaced its quota of vehicles in the last 3-4 years and of the total fleet, 4,110 vehicles are overage and/or mileage and in need of replacement.

It is important to note also that we are not expanding the fleet. All purchases of new vehicles are to replace existing passenger vehicles or light trucks.

Personnel reductions for FY 1985 will be made at levels above the field office where possible in order to protect the on-the-ground program assistance. Therefore, we would anticipate little or no impact on the need for vehicles.

Question: How much is assumed in the budget for the 25 new vehicles and the 400 replacement vehicles?

Answer: We are replacing 25 light duty, 4X2, pickup trucks with 25 passenger motor vehicles. The costs for these 25 passenger motor vehicles (PMV) are estimated at $150,000. The cost for 400 replacements for current PMV's is about $2,400,000. The authorization requested is an upper limit and actual purchases will depend upon available funds. Due to competing needs for funds in the past, we have not actually replaced near as many vehicles as we have been authorized to replace. For example, in FY 1983, we had the same authority to replace a total of 425 vehicles but we only purchased 214 because of fund limitations.

QUESTIONS SUBMITTED BY SENATOR BYRD

Question: Section 406 of the Surface Mining Control and Reclamation Act of 1977 authorizes the Secretary of Agriculture to assist in the reclamation of abandoned mine lands. Funding for this program has been provided in the Interior and Related Agencies Appropriation Bill for the last several years. The fiscal year 1984 appropriation, for example, included $10,582,000 for this purpose. Would you please provide for the Committee files a listing by state of all RAMP projects completed to date with the reclamation cost for each?

Answer: We have signed 324 RAMP contracts for which $34,744,745 have been obligated for reclamation work. The following table is an extract of the 1983 RAMP annual report which list, by states, the RAMP contracts (324 for $34,744,745) signed as of September 30, 1983. We project that 54 new contracts will be signed this year which will obligate the funds appropriated for new contracts in 1984.

Question: Also, please provide a similar listing of projects now underway with their estimated cost to completion and percent of work completed to date.

Answer: All 324 RAMP contracts are still underway. Although most of the construction work for a contract is usually completed within the first 2 years, RAMP rules require contracts to be installed, operated, and maintained for a period of 5 to 10 years. Since contracts were first signed in 1979, the first contracts will expire in 1984. Total fund requirements for FY 1984 through completion of work on the 324 current and 54 new contracts is about $26 million for a total of $60.7 million over the life of the contracts, with about 57% of this amount already obligated as of September 1983.

The following table is our projection for the number of contracts that will be active for fiscal years 1984 thru 1989 if no new contracts are signed after fiscal year 1984.

RURAL ABANDONED MINE PROGRAM (RAMP)
Projected Number of Active Contracts
Fiscal Year 1984-1989

STATES	FY84	FY85	FY86	FY87	FY88	FY89
Alabama	33	27	17	3	1	1
Arkansas	10	5	5	5	4	4
Illinois	9	9	3	3	3	3
Indiana	26	22	22	5	0	0
Iowa	17	14	9	7	3	3
Kansas	1	1	1	0	0	0
Kentucky	45	44	40	37	18	14
Maryland	7	7	7	2	2	2
Missouri	5	5	2	1	1	0
Montana	0	0	0	0	0	0
North Dakota						(6 thru '91)
	6	6	6	6	6	6
Ohio	56	40	40	29	13	10
Oklahoma	8	7	5	5	2	2
Pennsylvania	70	63	48	38	12	7
South Dakota	2	2	0	0	0	0
Tennessee	18	8	6	5	5	5
Texas	21	16	8	2	2	2
Virginia	1	1	1	1	1	1
West Virginia	21	19	16	9	3	2
Wyoming	10	10	1	1	1	1
						(6 thru '91)
TOTAL - Active Contracts	366	306	237	159	77	63
Active contracts in pre-construction stage	47	2	0	0	0	0
Active contracts in major construction stage	104	68	28	0	0	0
Active contracts in final completion stage	215	236	209	159	77	63

Question: Would you also provide a listing by state of all unconstructed projects for which final design has been completed and indicate for each the cost of design work and the estimated total reclamation cost?

Answer: Under our decentralized system of managing the RAMP, we do not keep records above the state level of the constructed versus unconstructed work in each of the RAMP contracts. The final design is completed, as needed, based on the year the reclamation work is scheduled in each contract.

Question: Also for the Committee files, please indicate by state all projects for which design is now underway, the costs for which appropriations are not presently available and the total estimated reclamation cost.

Answer: None. Since we are phasing out the RAMP, the only designs prepared are for those contracts for which we have received appropriations.

Question: Please provide, for the record, your total design and construction capabilities for RAMP projects in FY 1985 by state.

Answer: We can sign RAMP contracts that would obligate $15 million if we keep the same number of personnel assigned to the program; however, the program is being phased out and we are requesting only technical assistance funds for FY 1985 needed to service contracts signed prior to FY 1984.

RURAL ABANDONED MINE PROGRAM (RAMP)
ANNUAL REPORT - FY 1983

	APPLICATIONS					CONTRACTS		
	CUMULATIVE TO DATE					CUMULATIVE TO DATE		
	No. By Priority			TOTAL				
State	#1	#2	#3	No.	Acres	No.	Acres	Dollars
AL	50	6	40	96	1,323	32	390	$1,711,348
AR	13	38	20	71	1,942	8	211	1,171,318
IA	23	60	196	279	8,463	18	651	3,922,352
IL	12	105	120	237	16,286	6	39	566,268
IN	66	26	33	125	2,879	30	549	414,738
KS	1	9	70	80	4,180	1	81	98,882
KY	62	123	106	291	5,858	31	830	3,665,235
MD	5	8	16	29	353	5	52	605,119
MO	0	29	55	84	5,735	5	179	926,131
MT	5	7	3	15	492	0	0	0
ND	18	39	5	62	2,789	5	501	89,851
OH	126	178	229	533	14,591	51	478	4,287,227
OK	20	24	23	67	3,961	6	353	1,692,446
PA	322	253	153	728	14,399	63	777	8,460,933
SD	0	3	0	3	125	2	55	186,865
TN	3	28	19	50	763	13	78	265,950
TX	0	19	7	26	869	19	530	896,210
VA	7	2	9	18	315	0	0	0
WV	82	79	133	294	5,352	19	125	4,163,059
WY	18	2	3	23	1,079	10	330	1,620,813
Total	833	1,038	1,240	3,111	91,754	324	6,209	$34,744,745*

* Includes funds for contract modifications.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

EXPORT CREDIT

Question: Expansion of U.S. commodity exports is a high priority of this Administration; however, you have chosen to cut the amount of export credit guarantees by $1 billion. Why? What sales promotion efforts are being made? Under what conditions and authority can you adjust the level of guaranteed export credits?

Answer: At the time the President's Budget was developed, we projected that the fiscal year 1985 level of $3 billion would be sufficient to meet agricultural objectives because of improving economic conditions in other parts of the world. As situations change, both domestically and internationally, the Administration will review this level. Congressional action is not required to increase this level, so the Administration can act quickly on this matter, as it did twice in 1983 and once already in 1984. The fiscal year 1983 GSM-102 ceiling was originally authorized at $2.8 billion and was raised to $4.8 billion in two subsequent actions. The original fiscal year 1984 authorization level was $3 billion, but was increased to $4 billion in December 1983.

Question: Last year, the blended credit program faced a standstill because of depleted guaranteed loan funds. Is there any chance of that occurring again this year (fiscal year 1984)?

Answer: Last year, we successfully used both the Export Credit Guarantee or GSM-102 and Short-Term Export Credit Sales --GSM-5--programs to support U.S. agricultural exports. This year we are again combining these programs to achieve our objectives. We do not anticipate running short of the needed combination of authorized program ceilings to achieve our goals.

Question: How is the blended credit program being used to compete with subsidized exports of other countries, especially the European Community?

Answer: The focus of this year's blended credit program is to counter European Community subsidized exports of wheat and wheat products. We are doing so in Algeria, Egypt, Jamaica, Morocco, and Tunisia.

COMMODITY STOCKS

Question: To what degree have you revised the President's Budget estimates for commodity stock levels?

Answer: We will not be revising the estimates in the President's Budget until the next official update is submitted to Congress on April 15. Those reestimates will incorporate the revised projections of commodity stock levels.

REIMBURSEMENT FOR LOSSES

Question: Once again, you are requesting reimbursement for realized losses based on estimates of what those losses will be, rather than requesting reimbursement from losses two years prior. Do you foresee a time that we can return to the practice of reimbursement for actual realized losses?

Answer: We do not foresee returning in the near future to the previous practice of having a two-year lag between the year CCC losses are incurred and the year the appropriation is received to reimburse the CCC. In recent years, large increases in CCC entitlements and the resultant increase in outlays have accelerated the reimbursement of realized losses needed to restore CCC's capital impairment and thus continue price support operations. CCC net outlays have increased from $4.0 billion in FY 1981 to $18.9 billion in FY 1983. CCC had $23.4 billion invested in commodity loans and inventories on December 31, 1983. Under such conditions we must continue to have our estimated unreimbursed losses restored. Otherwise, our ability to carry out congressionally mandated price support programs will be impaired.

PIK/WHEAT

Question: For the 1984 PIK program for wheat, you have reinstituted the $50,000 payment limitation to farmers. How much will this cost in comparison to the program last year, which placed no limitation on the value of PIK payments to farmers?

Answer: Under the PIK portion of the 1983 wheat program, farmers reduced their acreage bases by 16.6 million acres and received about 548 million bushels of wheat as compensation, valued at approximately $2.1 billion. For the 1984 PIK program, such compensation will be about 50 million bushels, valued at approximately $185 million, with PIK land diversion of 1.5 to 2.5 million acres, which reflects participation in the program originally announced.

BARTER

Question: There has been increasing interest in using barter as a means of exporting more commodities, especially in light of the current strong dollar abroad. How much, if any, barter activity does USDA now engage in?

Answer: In November 1981, President Reagan directed that USDA acquire 400,000 tons of bauxite from Jamaica for the National Defense Stockpile in exchange for surplus agricultural commodities. In June 1983, the President directed that an additional 1 million tons of Jamaican bauxite be obtained through agricultural barter. In response, USDA and Jamaica entered into three barter agreements.

In February 1982, CCC signed a barter agreement with the Government of Jamaica to exchange 9,143 metric tons of CCC-owned dairy products for 400,000 tons of bauxite. The value of the agreement was $13 million. The General Services Administration --GSA--paid for transportation and storage of the bauxite. GSA will reimburse CCC for the value of the bauxite in fiscal year 1984. This was the first government-to-government barter agreement and the first barter arrangement for strategic material since 1967.

In November 1983, CCC signed another barter agreement with Jamaica to exchange 14,195 metric tons of CCC-owned dairy products for 400,000 tons of bauxite. The agreement was valued at $13.6 million. In January 1984, CCC signed a final barter agreement with Jamaica to exchange 22,687 metric tons of dairy products for 600,000 tons of bauxite. This agreement was valued at $20.4 million. In total, 36,882 metric tons of CCC-owned dairy products were bartered for 1 million tons of bauxite for an agreement value of $34 million in fiscal year 1984.

Under these last two agreements, delivery of the dairy products will be completed by March 1986; the bauxite will be delivered to CCC by July 31, 1984. Transportation and storage costs of the bauxite will be funded by GSA. The CCC will hold title to the bauxite until fiscal year 1988, at which time GSA will begin a three-year program to reimburse CCC for the value of the bauxite.

Question: What plans do you have for future use of barter?

Answer: The Administration's policy on barter is that the U.S. Government should exercise caution in the use of its barter authority, reserving it for those situations which offer advantages not offered by conventional market operations. The Administration will rely primarily upon purchases on the open market to build the nation's stockpile. Barter proposals will be considered on a case-by-case basis and will be used only to acquire additional stockpile materials when in the best interests of the country.

COMMODITY DISTRIBUTION

Question: Please explain how surplus commodities are processed and delivered to State and local governments for distribution, and how much the Federal government assists financially.

Answer: Based on competitive contract bids awarded by CCC, the commercial industry processes surplus commodities. For grain products, the contractor is responsible for processing, packaging, and, in most instances, shipping the final product to its destination for distribution at the State level. For dairy products, the contractor is responsible only for processing and packaging while CCC arranges delivery. The raw product cost and cost of processing, packaging, and shipping to the States is paid by CCC; the contractor is simply responsible for getting the work done.

CCC makes available to the States for processing additional quantities of bulk cheddar cheese and nonfat dry milk. The cost of processing and packaging is shared between the States and the CCC. CCC contributes 12.5 cents per pound for cheddar cheese and 14 cents per pound for nonfat dry milk; the States cover all remaining costs.

Surplus grain or dairy products may be shipped by truck or rail to several locations within a State. State agencies are responsible for arranging any further dissemination which might be necessary.

The Food and Nutrition Service administers funds under the Temporary Storage and Distribution of CCC Emergency Food Assistance Program. The funds are available for costs of intrastate storage and distribution of donated CCC commodities. The funds are made available to the State and local distributing organization through grants.

Question: We all have heard comments such as "People are starving all over the world while the United States has seemingly endless stocks of food sitting in caves, and grain elevators not benefiting anybody." How do you respond to these sentiments?

Answer: During fiscal year 1983, over 2.5 billion pounds of commodities were distributed domestically through ongoing programs, and more than 4.2 billion pounds of commodities were donated to assist people overseas.

Before making surplus commodities available for distribution, USDA must consider several issues including any adverse effects on commercial markets, the locations and availability of surplus raw commodities, and industry's ability to process commodities into forms suitable for household use.

To provide relief to those in need of assistance, surplus agricultural products are removed from available Government-owned stocks or purchased from the commercial market and donated continuously to domestic outlets such as charitable institutions, child nutrition programs, and nutrition programs for the elderly. In addition, cheese, butter, and nonfat dry milk are distributed directly to needy individuals under a special dairy distribution program. Surplus commodities are used also under a temporary program to distribute cornmeal, wheat flour, honey, and milled rice to needy families.

Surplus commodities are used also to assist the needy in foreign countries. Under the "Food for Peace" program, agricultural products are shipped overseas for use in meeting famine or other urgent or extraordinary relief requirements, economic development, and child feeding programs. The food is distributed through direct government-to-government donations and through nonprofit, charitable organizations such as the Cooperative for American Relief Everywhere and the Catholic Relief Services. Also, dairy products are donated under Section 416 of the Agricultural Act of 1949. The dairy products are donated through foreign governments and public and private nonprofit humanitarian organizations.

Question: Are all States participating in the distribution programs?

Answer: All States participate in the distribution programs through traditional outlets, special distribution to needy households, and congregate feeding sites.

EXTENDED STORAGE AGREEMENTS

Question: There has been growing concern about unused storage space being paid for under extended storage agreements. This Committee's report on the first fiscal year 1984 supplemental appropriations bill (S. Report No. 98-275) called on USDA to review these extended storage agreements and their cost effectiveness, and to present that information during this hearing today. Do you have that information? Please provide details for the record.

Answer: In September 1981, the CCC Board of Directors authorized the Corporation to enter into extended storage contracts with commercial warehousemen. This decision followed bumper 1980 and 1981 crops and was based upon three primary considerations: increasing CCC grain inventories, concern among producers and warehousemen that storage space would be very limited, and CCC's commitment to maintain 147 million bushels of wheat for the Food Security Wheat Reserve Program and 75 million bushels for the Disaster Reserve Program. It was estimated that CCC could save as much as $24 million to $27 million through the use of extended term contracts.

The magnitude of the payment-in-kind program--PIK--dictated that CCC use part of its inventory from extended storage to meet its commitment to PIK participants. Since CCC allowed PIK participants up to five months to exercise their PIK entitlement, CCC's payment for empty space in extended storage warehouses was considerably reduced. Yet, payment for unused storage space eroded some of the initially estimated cost savings.

CCC has taken several steps to fill unused storage space. On January 5, 1984, CCC offered warehousemen several options for filling unused space. These options included:

-- An exchange of commodities similar to the PIK exchange program.

-- The transfer of contracts from an unfilled or partially filled warehouse to another warehouse that was full or could be easily filled.

-- A change in the contract from one commodity to another, i.e., corn to sorghum.

-- By mutual consent, cancellation of all or part of the contract or a negotiated termination charge acceptable to CCC.

CCC also took into account its short-term potential need for storage. We determined that it was more cost effective for some space to remain unfilled for a few months now, and then be available for expected loan forfeitures later in May. This space will be available for relocation of CCC grain at harvest when space will be needed in the area of production.

This program did not save us as much as we initially anticipated but it is evident that overall the program was cost effective for several reasons. First, the program helped to hold annual storage rate increases to about 3 percent as compared to the previous two-years' increases of 8.9 and 5.2 percent. This resulted in substantial savings to CCC and producers. Second, the program added 128 million bushels of warehouse space in the main grain producing area which will have long term benefits to CCC and producers. Third, since storage was available in the area, CCC was able to avoid substantial outlays for handling and transportation to relocate grain.

As present extended storage contracts begin to expire at the end of calendar year 1984, CCC will evaluate its inventory position and consider contract extensions, as needed, to accommodate grain reserves. Should the Food Security Reserve be continued beyond September 1985, CCC will continue to consider extended storage contracts as the most cost-effective means of storing reserve and nonreserve commodities.

Question: Is there still unused storage space which USDA is paying for? How much is that costing the Government? What can be done to reduce these costs?

Answer: About 46.3 million bushels of storage space remain unfilled as of March 23. Of this amount, 15.5 million bushels of space are reserved for anticipated wheat forfeitures and 30.8 million bushels of space are reserved for corn. As previously stated, while the program did not produce all of the direct savings initially anticipated, the program did not result in any additional outlays for CCC. Every effort is being made to fill the unused space.

TOBACCO PROGRAM

Question: Under CCC's loan repayment practices for its tobacco program, millions of dollars in interest charges are not being collected by the Government because CCC allows loan repayments to be applied first to principal amounts outstanding and then to interest due. Are there price support loan programs for other commodities where the cost to borrow funds from the Department of Treasury exceeds the amounts collected on the loans? If so, please identify the crop and the amounts.

Answer: The interest charged by CCC on all commodity loans is at the same rate charged CCC by the Department of Treasury. However, the interest charged CCC by Treasury is compounded semi-annually but the interest CCC charges producers is not compounded. The difference between these two procedures causes CCC's interest expense on commodity loans to exceed the interest income. Interest expense also exceeds interest income with loans placed in the grain reserve because interest charged the producer is forgiven for the last two years of the loan.

We do not record interest expense by commodity. CCC finances its daily operations by borrowing from Treasury based on the combined receipts and disbursements for all CCC financed programs. Treasury computes CCC's interest costs on the outstanding borrowings without identification to individual commodities or programs.

Question: What are the total principal and interest costs being written off CCC's books through appropriations for net realized losses? Please identify these costs by commodity.

Answer: During fiscal year 1983, net charge-offs of principal, after the application of offsetting loan service fees, amounted to $4,528 thousand for crop year 1982 peanuts and $5 thousand for tobacco crop years prior to 1982. There were no write-offs of interest associated with these write-offs of principal.

LOAN AND PAYMENT GUARANTEES TO POLAND

Question: As you know, we have a general provision in our bill which prohibits the Treasury or any Government corporation from paying any loan guarantee or payment guarantee with respect to the Polish People's Republic unless that country is declared in default on such loans or payments. What is the status of Poland's debts, especially to CCC?

Answer: Poland's debt to CCC is comprised of activity under three export programs. The status as of December 31, 1983, shows a total exposure of $1,607.0 million.

PROGRAM	TOTAL EXPOSURE	DUE AND UNPAID PRINCIPAL	DUE AND UNPAID INTEREST	DUE AND UNPAID TOTAL
	(millions of dollars)			
P.L. 480	$47.3	--	$8.2	$8.2
Export credit loan sales:				
Rescheduled	217.3	--	50.5	50.5
Not rescheduled	319.7	$319.7	49.1	368.8
Export guarantees:				
Rescheduled claims	142.9	--	29.2	29.2
Claims not rescheduled	647.6	647.6	--	647.6
Potential claims:				
FY 1984	221.3	--	--	--
FY 1985	10.9	--	--	--
TOTAL	1,607.0	967.3	137.0	1,104.3

Question: Do you foresee a time when Poland will be current in their payments?

Answer: We are optimistic that sometime in the future Poland will become current in their payments, but we do not know when this will occur.

FY 1985 BUDGET REQUEST

Question: You propose to use $20 million (of an $80 million budget request) of ACP cost-sharing funds for permanent vegetative cover. That leaves only $60 million for existing cost-sharing programs, including Emergency Conservation Program (ECP), Water Bank, and Forestry Incentives Program (FIP), which last year were funded at $218 million. Doesn't that seem to contradict your stated policy of making conservation a high priority in agriculture?

Answer: The $20 million you refer to will only be used for the 1984 Acreage Conservation Reserve Program. At the requested level of $80 million, a continuation of this initiative in 1985 is not planned. While the request for ASCS cost-share funds is reduced in FY 1985, the USDA budget request for conservation programs in total increased from $694 million in FY 1984 to $725 million in FY 1985. In addition, more efficient planning and administration of soil conservation programs is increasing the conservation benefits derived from each dollar expended.

Funding requests for each year's conservation programs consider the demands placed on financial resources by other national goals and interests. As economic recovery occurs and as the deficit is brought under control, we anticipate that State and local governments will assume more significant roles in conservation program design, management, and funding, and that temporary cuts in federal cost-share funding will be restored.

Question: You claim that cost-sharing programs are the easiest to temporarily shut down, so to speak. Once programs are eliminated, they have a tendency to stay dead. Do you anticipate ever reviving these cost-sharing programs?

Answer: The temporary reductions in cost-share programs that are proposed in 1985 are easier to effect than reductions in programs where the program delivery system would be impacted, such as those requiring permanent personnel or space reductions. The proposal to maintain funding for all four programs under a single appropriation is designed to allow State and county committees maximum flexibility to fund their highest ACP, FIP, WBP, or ECP priorities. Furthermore, the Administration anticipates that as economic recovery occurs in the farm sector, increases in both Federal, State, and private funding for conservation practices will be realized.

Question: With $20 million of your ACP request going for your vegetative cover pilot program, your ACP request is virtually the same as last year. If the pilot program works, do you anticipate future requests for funding for cost-sharing for this type of program?

Answer: Our FY 1985 request of $80 million for a consolidated program does not include funds for any special projects. The practices funded under the 1984 Acreage Conservation Reserve Special Project -- ACR-1, establishing permanent vegetative cover and ACR-2, planting trees, will not be continued in FY 1985.

ANNUAL VS. LONG-TERM AGREEMENTS

Question: According to GAO, 74 percent of ACP funds are spent on annual agreements and only 11 percent on long-term agreements. It seems that long-term agreements would achieve two goals: cost-effectiveness and program consistency and effectiveness. Why is more not allocated for long-term agreements?

Answer: Annual and long-term agreements under ACP are very similar. The practices eligible for use under either agreement are identical and both are subject to an annual payment limitation of $3,500. The main difference between the two types of agreements is that an annual conservation plan covers a portion of a farm whereas a long-term plan covers an entire farm. During recent periods of inflation, we have attempted to get as many conservation measures as possible carried out on a current basis, since the buying power of the dollar drops each year. In addition, long-term agreements tie up limited funds for several years.

In FY 1985 we are again requesting exemption of long-term agreements from the $3,500 payment limitation so that we can more effectively use such agreements under ACP. In FY 1984 $20 million of the $190 million appropriated for ACP was specifically designated for long-term agreements. In addition, each State or county has the prerogative of funding long-term agreements from regular ACP allocations.

Question: On an individual basis, which costs more annually, an annual agreement or a year's share of a long-term agreement?

Answer: The annual payment limitation for both annual and long-term agreements is currently $3,500 per person per year. We have requested a change in appropriation language to exempt long-term agreements from this annual limitation so that it will not be necessary to break each long-term conservation plan down into increments of material, work and labor that can be accomplished for $3,500 each year.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Question: What accounts now have funds for the Colorado River Basin Salinity Control Program? Why was ASCS chosen as the agency under which these efforts would be consolidated?

Answer: The law that authorized the program is Title II of the Colorado River Basin Salinity Control Act of 1974. The Department of Interior has funds for planning and carrying out improvements on Federal lands.

USDA has provided funds to support this program through several existing programs including Soil Conservation Service (SCS) Conservation Technical Assistance and River Basin Surveys and Investigation funds and ASCS Agricultural Conservation Program funds. In addition, Extension Service (ES) has provided educational support.

ASCS was chosen to administer the proposed program because it has been working with farmers in cost-sharing programs for many years. Continuation of funding under ASCS will provide consistency for the farmers in the basin. The program will be fully coordinated with the Bureau of Reclamation, USDI, and with SCS and Extension Service.

ALTERNATIVES FOR COST-SHARING LEVELS

Question: I'm not suggesting that you cut the Government's share of cost-sharing in ACP, which is now up to 90 percent, but would it be possible to assess the impact of a reduction to, say 80 percent Federal assistance? The Great Plains Federal share is 80 percent, and I wonder how such a percentage would affect (1) ACP farmer participation, and (2) Government cost. Could you possibly use the lower percentage on annual agreements and 90 percent on long-term to encourage long-term agreements?

Answer: The 90 percent cost-share level that you refer to is available only for the 1-year Acreage Conservation Reserve Special Project. Normally ACP cost-sharing does not exceed 75 percent, except for low income farmers with whom we cost-share up to 80 percent. The cost-share rate for long-term agreements is limited by law to 75 percent. In addition, many State and county ASC committees have reduced the cost-share level for their programs by setting the maximum cost-share level at 50 percent for the State.

The current demand for cost-sharing exceeds funds available. The impact of cost-sharing at 80 percent instead of the normal 75 or lower percent would be fewer farmers participating and increased governmental costs.

Question: I understand that lands which are too erosive for growing crops may receive cost-share assistance for production of hay and forage, and after 5 years may return to normal production. Isn't this form of crop rotation normal practice for some farmers? Why should taxpayers finance normal operations which would be carried out even without financial assistance? Shouldn't lands too erosive for crop production be taken out of production permanently, especially if Federal assistance is being utilized? Is there some justification for these less-than-permanent conservation practices on these erosive lands?

Answer: Few farmers in major grain producing areas would include 5 years of vegetative cover in their rotations. Farmers whose principal crops are hay and forage prefer to maintain cover as long as it remains productive and will go through a crop cycle only as preparation to once again establish a sod crop. We believe the benefits of guaranteeing 5 or more years of vegetative cover on land eroding at more than the tolerance level warrant investment of cost-share funds.

The cost-share assistance is made available to help farmers convert their more erosive lands to long-term vegetative cover for protection against erosion. Where establishment of the cover is cost-shared under the 1984 Acreage Conservation Reserve (ACR) Special Project, the land is restricted from any haying use during the year. Grazing is permitted only during the nongrowing season. These restrictions will also apply in 1985 if the land is again designated as the set-aside for production adjustment programs.

Although the requirement to maintain the cover ends 5 years after the year of establishment, we encourage continuation of the practice as a permanent change in land use. Much of the land does stay in sod for longer periods. Good management and optimum forage production require occasional breaking up and reestablishment of the cover crop. With proper conservation tillage methods, this can be accomplished without excessive soil loss.

Question: I also understand there has been a voluntary pilot project underway to test the concept of varying the rate of Federal cost-share assistance to correlate with the effectiveness of specific practices. It seems that this would only make sense. What are the drawbacks to implementing this program-wide?

Answer: The Variable Cost-Share Level (VC/SL) project under ACP has been well received by county offices who volunteered to participate. ASCS expanded the VC/SL from 125 counties in 1983 to 186 counties in 30 States in 1984. We are continually receiving requests from additional counties who would like to participate.

VC/SL is helping to obtain more conservation for each dollar spent by eliminating practice applications on land where the pretreatment erosion rate is less than the soil loss tolerance. Cost-share levels are calculated based on the potential for soil erosion reduction.

VC/SL was modified this year to be applicable to all practices applied for the purpose of treating soil erosion and expanded to include losses due to gully, concentrated flow, and irrigation erosion. However, since VC/SL is not applicable to all ACP practices, it cannot be implemented program-wide.

SALARIES AND EXPENSES

Question: You propose a net decrease of $24.4 million in salaries and expenses "due to reduced county office workload for conservation and price support activities." If Congress maintains the fiscal year 1984 appropriation level for ACP and other ASCS activities, what decrease, if any, would be appropriate?

Answer: If Congress were to maintain the 1984 appropriation level for ACP and other ASCS activities in 1985, a decrease of $23,081,000 in 1985 salaries and expenses would be appropriate. The $1,344,000 difference reflects the amount required under direct appropriation to operate separate conservation programs rather than the consolidated ACP proposed in the Budget. Under current law, the total request for direct appropriation and CCC transfers would therefore be $397,838,000 rather than $396,494,000.

CONSOLIDATION OF PROGRAMS

Question: Again, this year, you have proposed to consolidate the Agricultural Conservation Program (ACP), the Forestry Incentives Program (FIP), the Water Bank Program (WBP), and the Emergency Conservation Program (ECP). Simultaneously, you have proposed a decrease in funding from a total of about $218 million to $80 million, $20 million of which is for a pilot project. That leaves $60 million for all States and territories to operate with a little over $1 million average for each. How can you justify that drastic of a cut?

Answer: In FY 1984, $20 million was allocated for the ACR Special Project. However, at the requested level of $80 million in FY 1985, the ACR Special Project will not be continued. The $80 million will be used for a base level program to fund the most critical ACP, FIP, WBP, and ECP conservation needs.

The temporary reduction in ACP funding is proposed as part of an effort to reduce the budget deficit. We believe that conservation expenditures can be temporarily reduced without seriously damaging our resource base.

Question: With so little funding for these programs, it hardly seems possible to carry on a viable program anywhere. Why did you not just request zero funding?

Answer: With zero funding, nothing would be accomplished and the program would be abruptly terminated. At the $80 million level, a nationwide conservation program will be preserved and the mechanism for carrying out conservation activities will be maintained. In addition, program consolidation will allow county committees to fund the most critical ECP, WBP, FIP, and ACP needs. Utilization of cost/benefit data from our Conservation Reporting and Evaluation System will enable county ASC committees to improve the cost-effectiveness of ACP and other land treatment programs. Practices will continue to exemplify good conservation techniques and will encourage other farmers to adopt similar measures.

Question: How much of the $80 million will go toward obligations of previous contracts, and how much will be available for new contracts? Please give figures for each program for the record.

Answer: All of the $80 million would be available for new contracts. ACP funds are obligated for the full amount of the agreement at the time the application is approved.

At the national level, $3 million will be reserved for the Emergency Conservation Program (ECP). For allocation purposes $3 million will be designated for the Water Bank Program (WBP), $4 million for the Forestry Incentives Program (FIP), and the remaining $70 million for the ACP. Traditional WBP, FIP, and ACP States will receive a proportionate share of these funds based on current allocation formulas. A single allocation will then be made to each State.

Question: Which programs, nationwide, do you think would be the first to be cut by States if the money was sent to them in block grant form?

Answer: We doubt that a nationwide pattern of cutting a particular program or programs would emerge. However, each State would surely emphasize those programs most important to the economic health of its constituency. For instance, Western and Southwestern States would probably emphasize water conservation, Cornbelt States would stress erosion control, and Eastern States might concentrate on pollution abatement.

WATER BANK PROGRAM

Question: On March 14, Secretary Block made an announcement concerning an agreement between USDA, Interior, and Ducks Unlimited. This agreement would provide protection and restoration of vital water fowl nesting areas. Will this effort replace some of the current activities carried on under the Water Bank Program?

Answer: No, the agreement you are referring to will not affect the current Water Bank Program. This agreement is concerned with land that is owned by the Federal Government. It does not include privately owned land such as that currently under contract in the Water Bank Program.

Question: If the Water Bank Program is consolidated, will current contracts be honored?

Answer: If program consolidation occurs, Water Bank agreements already in effect will remain in effect until they expire.

FORESTRY INCENTIVES PROGRAM

Question: As you know, the Forestry Incentives Program (FIP) is very popular in the Southeast. If I go home and someone asks me why we virtually eliminated FIP, how could I justify that?

Answer: We believe that temporary reductions must be made in government spending if we are to reduce the Federal deficit and promote continued economic recovery. We believe we can safely reduce conservation expenditures temporarily without seriously damaging our resource base. In the long run, we believe a temporary reduction in spending is the remedy needed to bring full recovery to the farm economy.

EMERGENCY CONSERVATION PROGRAM

Question: Last October, we passed a supplemental appropriation of $7 million for the Emergency Conservation Program. How has that money been spent?

Answer: An unallocated balance of $4,736,195 was brought forward at the beginning of FY 1984. Funds totalling $7,516,110 have been allocated in FY 1984 and $4,332,929 remains unallocated. A breakdown of allocations to date is provided.

EMERGENCY CONSERVATION PROGRAM
FY 1984 ALLOCATIONS AS OF APRIL 3, 1984

State	Disaster	Current Program Allocation
Alabama	Tornado	$ 45,000
Arizona	Flood	5,093,500
California	Flood	1,215,600
Colorado	Flood	86,025
Georgia	Flood and Tornado	42,000
Hawaii	Earthquake and Flood	103,985
Iowa	Flood	20,000
Oklahoma	Flood	880,000
Pennsylvania	Flood	20,000
Utah	Lightning Storm	10,000
Total		$7,516,110

RURAL CLEAN WATER PROGRAM

Question: Has the Rural Clean Water Program been successful? If so, do you have plans to offer more financial assistance in the future to implement your findings in this "experimental program"?

Answer: Based on our preliminary evaluation, we expect that many of the projects under the experimental program will be successful. Twenty-one RCWP projects located throughout the United States were selected and funded in 1980 and 1981. Participants in the projects implement practices under contracts that last from 3 to 10 years. Changes in water quality are being monitored in all projects, but more data is required to measure the overall success of RCWP. An annual progress report summarizing results through FY 1983 will be available in May 1984.

QUESTION SUBMITTED BY SENATOR MCCLURE

FARM STORAGE FACILITY LOANS

Question: The FY 1985 budget shows a decrease in funds for storage facility loans in the amount of $42 million from FY 1984 levels. I have also been advised that there are counties in Idaho which do not have storage terminals; consequently, farmers must truck their grain up to 50 miles or more to a storage facility or dump their grain on the ground. Many of my constituents live in areas which do not have ready access to terminals or storage. Is there any way to target the remaining funds to rural areas which need grain storage facilities on their own farms because of the prohibitive costs of transportation to distant CCC-owned facilities?

Answer: From its inception in 1949 through FY 1983, over 683 thousand loans have been made through the Farm Facility Loan Program nationwide. The loans made during this period accounted for the addition of over 4 billion bushels of on-farm storage capacity.

Over 216 thousand of those loans were made in the last six fiscal years alone. Of the 216 thousand loans, about 2,500 or approximately 1.2 percent were made in Idaho. After 33 years of program availability, it would appear that most producers have had an opportunity to build needed storage. Also, historically much grain produced in Idaho, especially white wheat, is usually disposed of cooperatively in a relatively short period of time and storage shortages are usually temporary.

The Secretary discontinued accepting facility loan applications when the huge 1982 harvest was basically completed and storage needs appeared to be adequate. Storage still appears to be adequate because of the 1983 PIK program and the drought. The storage situation nationwide has been and will continue to be monitored to evaluate whether storage needs justify accepting new applications. At this time, such action is not anticipated.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

IMPACT OF PIK AND DROUGHT ON 1983 PRODUCTION

Question: The PIK program provided significant incentive for farmers to participate in the set-aside programs in 1983. Has any analysis been done in an attempt to differentiate the impact of the drought and PIK on feed grain and on cotton production? In other words, can you tell us whether the major portion of the reduction results from PIK or from the drought.

Answer: A major portion of the reduced production for corn and sorghum resulted from the drought. It is estimated that corn production was reduced by about 1.9 billion bushels due to drought and about 1.3 billion bushels due to PIK. For sorghum, the drought accounted for about 70 percent of the reduced production or about 190 million bushels, while PIK accounted for about 80 million bushels.

Most of the reduction in upland cotton production resulted from the PIK program rather than adverse weather. The estimated reduction under normal growing conditions from PIK was about 4.0 million bales. Drought, hail, and excess moisture accounted for an additonal reduction of about 0.8 million bales.

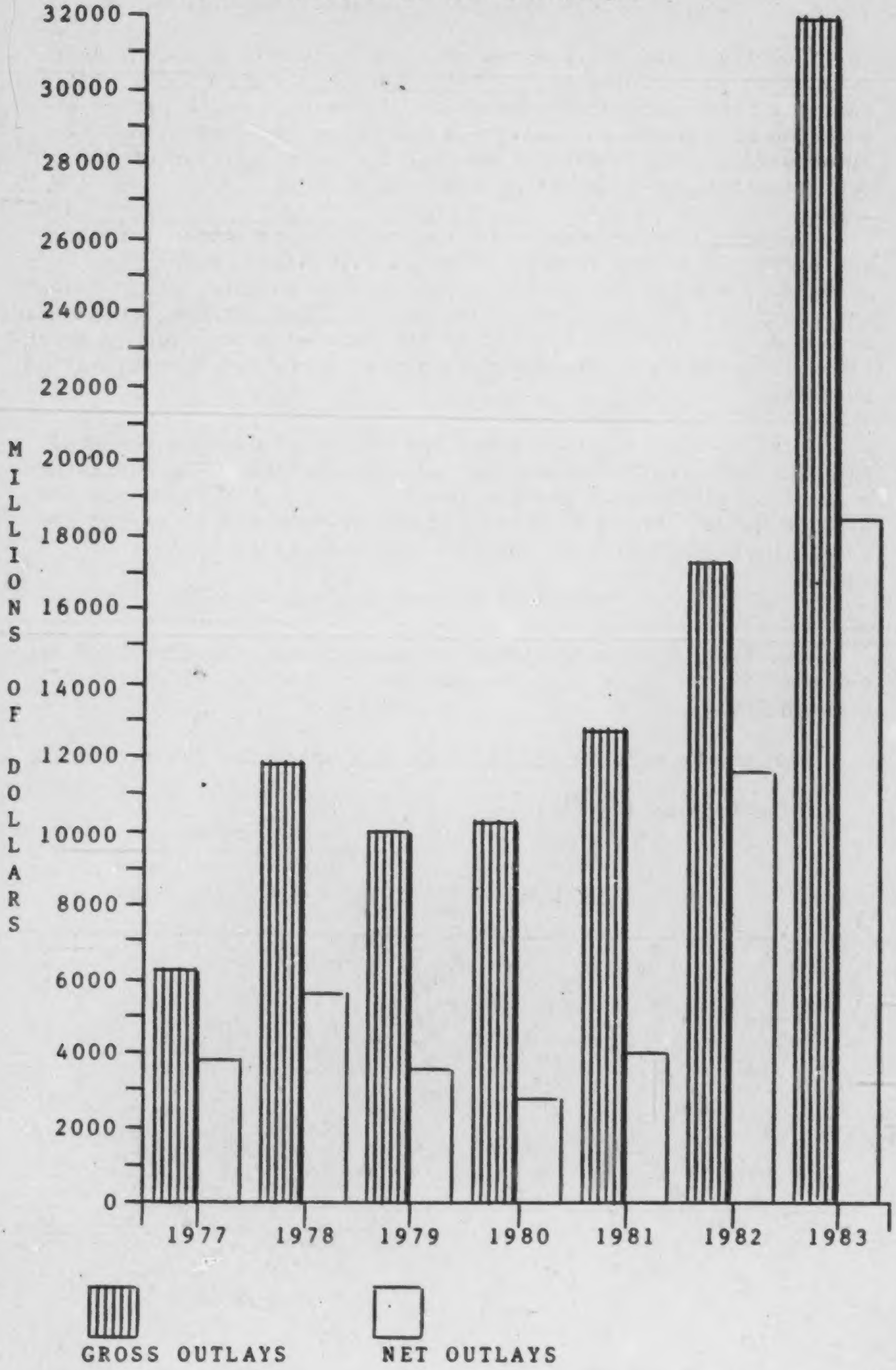
CCC PRICE SUPPORT OUTLAYS

Question: Please provide a chart detailing the gross and net outlays for the price support programs for the fiscal years 1977 through 1983.

Answer: We will be glad to submit a chart for the record.

[The information follows:]

CCC PRICE SUPPORT AND RELATED GROSS AND NET OUTLAYS
FISCAL YEARS 1977 THROUGH 1983 ACTUAL
(MILLIONS OF DOLLARS)



IMPACT OF FROZEN TARGET PRICES

Question: The Administration continues to strongly support reductions in target price levels. Do reductions in target prices translate directly into reductions in farm income, especially if one assumes deficiency payments will have to be made in the year the reduction occurs?

Answer: At first glance, lower target prices could imply lower farm income. However, we feel that based on current worldwide economic conditions, the opposite is actually the case. The escalating U.S. target prices of recent times have become so high that they are inducing increased U.S. production. At the same time, some U.S. price supports are above world market prices and our ability to compete in the marketplace has eroded. By freezing target prices, we feel that U.S. exports would increase, thus increasing farm income.

CCC LOAN RATES

Question: Is it the goal of the Reagan Administration to have our domestic price support levels based on international market prices?

Answer: Setting loan rates based on domestic and or international market prices certainly has merit and should be debated in the 1985 Farm Bill deliberations. This concept is superior to statutory determination, which extends into the future without sufficient flexibility to adjust loan rates so that they better reflect price signals emanating from markets. This area, along with other agricultural issues, must be addressed to make future farm policy more flexible--in order to respond to the volatile changes that occur in agriculture.

COST OF PRODUCTION

Question: How do international market prices for the major commodities compare with USDA's estimates for the cost of production, including the cost of land, for U.S. farmers to produce those commodities?

Answer: Since we export the production from one-third of our cropland, U.S. farm prices generally set international prices. Some U.S. crops, however, notably wheat and rice, are losing export markets because of the high U.S. loan rates that cause our prices to be artificially high. The U.S. 1982 production costs, published by USDA's Economic Research Service, is the last series available. However, the 1983 production costs are likely to be at the same level.

The March 30 "Agricultural Prices" published by USDA's Crop Reporting Board shows prices received by farmers for wheat, corn, upland cotton and rice to be: $3.40 per bushel, $3.11 per bushel, 65.7 cents per pound and $8.85 per hundredweight, respectively. Production costs including land are $4.63 per bushel, $2.68 per bushel, 87.1 cents per pound and $9.66 per hundredweight, respectively.

CCC PRICE SUPPORT

Question: Is a policy to make our domestic prices competitive with world market prices consistent with a policy aimed at assuring most farmers a price that will cover their costs, assuming a normal production year?

Answer: Current loan rates for some program crops are above market clearing levels and places U.S. producers at a competitive disadvantage in world markets. Reducing loan rates will begin to restore competitiveness in world markets and let our export competitors know that we will no longer maintain a "high price umbrella" which allows them to undercut us in the world market.

The Department does not advocate or support a system of subsidies or guaranteed market prices to producers. The Government cannot be expected to assure most farmers a cost covering price in each normal production year. Markets should generate these prices. In this manner, rewards to inefficient production would not be present. However, we recognize the obligation for sharing some of the unique risk facing producers. We feel that a market-oriented food and agricultural policy will best foster a prosperous agricultural sector capable of meeting the needs of both the producer and the consumer. Farm programs should not be used to artificially stimulate production, distort market signals, or reward the inefficient producers.

1983 PIK PROGRAM REALIZED LOSSES

Question: Please provide us with the amounts for each fiscal year 1983, 1984, and 1985 which are included in the realized losses to cover the costs of the 1983 PIK program.

Answer: In fiscal year 1983, $9,423,953 thousand of CCC's total net realized losses of $19,512,979 thousand is attributable to the 1983 crop PIK program. In fiscal year 1984, an estimated $494,003 thousand of the estimated total net realized losses of $10,525,765 thousand is associated with the 1983 crop PIK program. No realized losses are estimated for the 1983 PIK program in fiscal year 1985.

REIMBURSEMENT OF CCC REALIZED LOSSES

Question: In prior years, appropriations for net realized losses included only those losses that occurred 2 years prior to the fiscal year in which they are requested. If we were to go back to that system today, how much would be included in the budget for CCC losses and what would be the impact of this on your ability to finance the operation of the farm programs?

Answer: In recent years, large increases in CCC entitlements and the resultant increase in outlays have accelerated the reimbursement of realized losses needed to restore CCC's capital impairment and thus continue price support operations. CCC net outlays have increased from $4.0 billion in fiscal year 1981 to $18.9 billion in fiscal year 1983.

Our fiscal year 1985 request of $8,698.3 million to restore CCC losses represents the estimated balance of unreimbursed losses in fiscal year 1984. On January 31, 1984, CCC had $23.3 billion invested in commodity loans and inventories. If CCC did not request an appropriation for the balance of estimated fiscal year 1984 losses in the fiscal year 1985 budget and returned to the previous practice, our fiscal year 1985 appropriation request would be zero. CCC would then exhaust its borrowing authority early in fiscal year 1985 and be unable to finance the operation of farm programs. Given the estimated level of outlays in subsequent years, we do not foresee returning in the near future to the previous practice of having a 2-year lag between the year CCC losses are incurred and the year the appropriation is received to reimburse the CCC.

CCC OBLIGATIONS

Question: The notes indicate total obligations by CCC in fiscal year 1983 of $41.6 billion. How does this compare with actual payments and loans made, including PIK payments, to farmers in that fiscal year?

Answer: Total obligations of $41.6 billion include $13.7 billion in actual commodity and storage facility loans made to farmers, $.4 billion in actual PIK compensation, and $4.6 billion in actual direct producer payments. Other actual payments totaling $8.6 billion for purchases, storage, transportation, processing, direct export credit, operating expenses, and interest were also made in fiscal year 1983. Total obligations also include accrued obligations of $8.9 billion for PIK compensation and $1.5 billion for direct producer payments. These accrued obligations represent transactions which will occur in fiscal year 1984, but which were accrued in fiscal year 1983 based on the contracts signed by producers in fiscal year 1983.

EXPORT CREDIT CONTINGENCY

Question: The budget notes assume $1.4 billion in FY 1984 and $1.2 billion in FY 1985 in export credit nonrepayments. Please detail the loans for which payment is not expected in these two fiscal years, and whether additional loans are contemplated for these countries.

Answer: Most of the $1.4 billion 1984 contingency is to cover amounts due from Poland under both the direct export credit and the export guarantee program. The remaining portion of the contingency fund is to cover potential reschedulings for other countries, some of which are currently under negotiations. For FY 1985 we are not predicting any specific reschedulings. However, based on historical activity, we included $1.2 billion to cover the potential amounts of guarantee claims and direct credit nonrepayments from prior years' programs. To the extent the contingency is not fully drawn upon, CCC net expenditures will be lower.

In regards to future loan activity, we do not project country allocations under these programs. In order for these commercial programs to be effective in expanding U.S. agricultural exports, they must be flexible and market responsive. Country program decisions are made on a case-to-case basis with many factors considered. One such factor is the financial situation and credit worthiness of a country at the time of the program request.

POSITIONING OF CCC INVENTORY THROUGH EXCHANGES

Question: Although the bulk of PIK payments was made to farmers, substantial payments were also made to grain companies for the handling and relocation of commodities. Has any analysis been done of the payments to non-farmers under the PIK program? If so, please summarize the findings, and if not, is any estimate of such payments available.

Answer: CCC exchanged title to 425 million bushels of wheat, corn, and sorghum in surplus inventory locations to satisfy 370 million bushels of PIK obligations in the deficit areas. The overall exchange ratio was slightly less than 1.15 to 1.

By awarding exchange contracts on the basis of competitive bids, CCC minimized the expense of repositioning this portion of PIK grain. In addition to overcoming the time constraint that physically moving CCC inventory would have posed, obligational exchanges also resulted in lower costs to CCC. Freight expenses, warehouse receiving charges, inspection fees, demurrage, and quality loss would have caused additional costs of more than $300 million. The CCC cost to cover PIK entitlements using obligational exchange was approximately $158 million.

LOAN GUARANTEE FOR PILOT AGRICULTURAL FUEL PROJECT

Question: According to the notes in 1981, CCC made payments on a guarantee for a pilot agricultural fuel project and in return received title to the collateral securing the loans. What is the current status of this project and the collateral?

Answer: The project referred to is the facility known as Guaranty Fuels North Carolina, Inc. Guaranty Fuels failed in its request for reorganization under Chapter XI of the Bankruptcy Reform Act, and underwent a Chapter VII liquidation. Upon the order of the Court for the Middle District of North Carolina, a public sale of the plant facility and all other property was held on August 30, 1983. The sale was conducted by the U.S Attorney, U.S. Department of Justice, Greensboro, North Carolina, and resulted in disposal of all rolling-stock and miscellaneous machinery and equipment for a total bid of $164,060.50. The intact plant facility and four excess burner systems were retained by CCC for a bid of $525,000.00 because there were no reasonable bids made at the sale. Following the sale and confirmation by the Court, CCC received in December 1983 title to the property and the proceeds from those items sold in August 1983. CCC has engaged the firm of M. Goldsmith International, Inc., to market and sell the remaining property. Auction sale of the plant facility, land, and excess burner systems is scheduled for 11:00 a.m., April 5, 1984.

TEMPORARY STORAGE AND DISTRIBUTION OF CCC EMERGENCY ASSISTANCE

Question: Is there currently any evidence of unobligated funds or a slow drawdown of funds appropriate for the emergency food assistance program? If so, please provide the details, including individual States and the amounts involved.

Answer: As of September 30, 1983, the obligations for this program totaled $49.8 million. Since that time, Food and Nutrition Service has gone through a financial closeout with most of the States and has decreased obligations to $24.8 million. Outlays currently amount to $15.2 million. I will submit a State by State breakdown of obligations and outlays for the record.

[The information follows:]

TEMPORARY STORAGE AND DISTRIBUTION OF CCC EMERGENCY ASSISTANCE FUNDS

State	Obligations as of 4/4/84	Outlays
Alabama..................................	$912,269	$693,054
Alaska...................................	--	--
Arizona..................................	347,634	347,634
Arkansas.................................	388,642	293,882
California...............................	1,088,813	1,088,813
Colorado.................................	197,018	197,018
Connecticut..............................	429,425	282,165
Delaware.................................	40,978	40,978
District of Columbia.....................	24,469	24,469
Florida..................................	676,445	417,403
Georgia..................................	353,295	310,683
Guam.....................................	2,721	2,721
Hawaii...................................	65,200	62,610
Idaho....................................	103,295	103,295
Illinois.................................	1,409,639	671,623
Indiana..................................	449,371	199,371
Iowa.....................................	170,159	152,624
Kansas...................................	152,590	29,952
Kentucky.................................	523,471	501,223
Louisiana................................	485,088	485,088
Maine....................................	90,616	90,616
Maryland.................................	567,657	567,657
Massachusetts............................	545,057	372,540
Michigan.................................	1,755,192	1,211,243
Minnesota................................	497,826	171,864
Mississippi..............................	200,765	132,298
Missouri.................................	970,852	894,297
Montana..................................	157,431	87,333
Nebraska.................................	151,457	151,457
Nevada...................................	120,410	120,410
New Hampshire............................	70,943	70,943
New Jersey...............................	641,107	391,107
New Mexico...............................	25,511	10,215
New York.................................	964,342	773,500
North Carolina...........................	297,584	297,584
North Dakota.............................	39,314	39,314
Ohio.....................................	915,000	136,422
Oklahoma.................................	215,667	175,201
Oregon...................................	225,659	225,659
Pennsylvania.............................	2,367,032	242,682
Puerto Rico..............................	667,615	149,063
Rhode Island.............................	150,820	118,780
Samoa, American..........................	--	--
South Carolina...........................	322,847	264,866
South Dakota.............................	51,616	51,616
Tennessee................................	347,436	214,306
Texas....................................	1,811,428	611,428
Trust Territory..........................	--	--
Utah.....................................	137,887	137,887
Vermont..................................	84,986	72,169
Virginia.................................	470,333	390,725
Virgin Islands...........................	17,862	17,862
Washington...............................	778,448	778,448
West Virginia............................	505,126	122,574
Wisconsin................................	716,060	132,447
Wyoming..................................	68,714	65,566
Total....................................	24,771,122	15,194,685

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

Question: How much is being spent in fiscal year 1984 in support of the Colorado salinity control program? Please be specific as to the source of these funds.

Answer: In fiscal year 1984, total funding in support of the program is $4.2 million. Of this amount, $3.7 million are ACP cost-sharing funds, and the remaining $.5 million are technical assistance funds from the Soil Conservation Service.

Question: Since the majority of the salt problem results from irrigation, does the legislation propose to increase the cost of irrigation water or charge a fee for that water in order to help recover a portion of the cost of this program?

Answer: For the Bureau of Reclamation projects, a rate is set for water when the irrigation unit is first completed. The rate is based on full repayment for the irrigation facilities, usually over a 40-year period and without interest. The rate is included in the contract between the Bureau of Reclamation and the irrigation district and cannot be changed for the life of the contract.

Recognizing that about 37 percent of the salt problem in the Colorado River is caused by irrigated agriculture, S. 1842, currently before the Senate Committee on Agriculture, Nutrition, and Forestry, establishes an on-farm program to provide technical and financial assistance to irrigators to reduce salt loading in the Colorado River. The level or percent of cost-share assistance will be based on the on-farm versus off-site benefits and will not in most cases exceed 75 percent.

S. 752, which amends the Colorado River Basin Salinity Control Act of 1974, P.L. 93-320, is now pending in the Senate Committee on Energy and Natural Resources. It also establishes an on-farm salinity control program. This bill, if passed, would require the seven States in the Colorado River Basin to repay the U.S. Treasury 25 percent of the cost of the on-farm program.

ACREAGE CONSERVATION RESERVE PROGRAM

Question: Mr. Rank's testimony discussed the acreage conservation reserve program. What has been the experience to date with this program?

Answer: Under the Acreage Conservation Reserve (ACR) special practice signup which ended on March 16, farmers requested cost-shares totaling $15,747,467. An additional $752,533 will be used for technical assistance. Final reports indicate that 13,106 participants requested cost-sharing assistance of $15,463,152 to establish permanent vegetative cover on 259,093 acres of cropland which is eroding at over twice the soil loss tolerance level. The permanent cover practice has a required lifespan of 5 years.

Three hundred forty-seven participants requested cost-shares of $284,315 to plant trees on 4,618 acres of cropland eroding in excess of twice the soil loss tolerance level. The tree planting practice requires that land be converted from cropland for a minimum of 10 years. Participants have until this fall to establish the permanent vegetative seeding and until the spring of 1985 to plant trees on their designated acreage.

Question: Mr. Rank's statement indicated that the acreage conservation reserve program is designed "to counteract the pressure that commodity and credit programs can place on farmers to plant fence row to fence row, even on marginal land most susceptible to soil erosion." Please detail for the Committee studies or information available that shows that current credit and commodity programs pressure farmers to plant fence row to fence row.

Answer: The Department of Agriculture shares the Committee's concerns about the linkages between commodity price and income support programs and the cultivation of program crops on highly erodible soils. The Economic Research Service, with the assistance of the Agricultural Stabilization and Conservation Service and the Soil Conservation Service, is presently conducting a three-phase study of the consistency between current commodity program provisions and soil conservation policy objectives. Phase 1 identifies the problems of consistency between the commodity programs and soil erosion objectives. The final report on this phase of the study is due to be released on April 12, 1984. We will be glad to share the material with the Committee at that time.

Phase 2 of the study will propose policy options for the problems identified in the first phase. Phase 3 will analyze the effects of adoption of each of these options on important factors such as commodity production and prices, farm income, soil erosion, commodity export potential, and Government program outlays. Thus far, no completion dates have been announced for the final two phases. However, we will be glad to make this material available to the Committee when these phases are completed.

AGRICULTURAL CONSERVATION PROGRAM

Question: Mr. Rank's statement discusses an ACP funding allocation system which would reward States which utilized funds for higher priority conservation benefits and for use of specific practices. Is there anything in current law which would prohibit you from using this method of allocating funds? If so, please provide the specific language.

Answer: The specific language guiding allocation of funds for financial assistance is contained in Section 15 of the Soil Conservation and Domestic Allotment Act. It specifies that "The Secretary shall distribute the funds available for financial assistance among the several States in accordance with their conservation needs, as determined by the Secretary."

Reliable data from the Conservation Reporting and Evaluation System is not yet available to indicate the relative effectiveness of practices by State. When such data becomes available, minor adjustments may be made within current regulations to shift funds to those States making the most effective use of the funds. However, no State's proportionate share will be reduced by more than 1 percent of its previous year's allocation, and we would certainly not recommend that effective practice use be the sole criterion for allocation of funds.

Question: Is data currently available regarding which States most efficiently utilize their funds for conservation practices and target them the best? If so, please provide the details, and if not, when do you expect this data to be available?

Answer: Data valid at the State level will not be available until FY 1985. However, preliminary 1983 CRES data indicates that certain practices such as permanent vegetative cover, terraces, and diversions are more effective on the average for the nation. Our provisional conclusion is that States using a greater percentage of their funds for these practices are gaining more conservation from available funds.

States that used 40 percent or more of their funds for these practices in FY 1983 are Alabama, Alaska, Illinois, Iowa, Kansas, Kentucky, Michigan, Missouri, Nebraska, New York, Oklahoma, Pennsylvania, South Dakota, and Tennessee. While we expect that other States are also using their funds effectively by employing practices that are particularly effective in their areas, we need data valid at the State level to make this determination.

Question: What practices are least effective at conservation, how prevalent is their usage and what States make the greatest use of these practices?

Answer: CRES was not implemented nationwide until October, 1983. It will take a minimum of one full year to develop data that is valid at the State level. Also we are finding that practice effectiveness varies significantly from one area of the country to another and that a State may not necessarily be using an ineffective practice just because its results or costs are higher or lower than the national average. In addition, some practices, such as temporary cover and conservation tillage have recently been emphasized to encourage farmers to adopt these practices and to demonstrate their viability as farming techniques. They have been encouraged without placing minimum criteria on erosion benefits. As such practices become more widely used, emphasis will be placed on obtaining greater erosion benefits. Since production oriented and construction type practices have been eliminated, evaluation data indicates that overall program effectiveness continues to improve.

Question: Does the current dollar limit that can be cost-shared with any one farm limit the effective use of ACP funds? Please detail the reasons for your answer.

Answer: The current limit of $3,500 per person per year does limit effective use of ACP funds for large, costly conservation installations such as some of those under long-term agreements. However, we are able to expend all funds currently appropriated each year, with many requests for assistance left unfulfilled. Under the circumstances we believe that, overall, the maximum payment limitation does not limit effective use of ACP funds.

Question: The budget proposes to change the bill language for the ACP Program to exclude long-term agreements from the $3,500 annual payment limitation. How long has the current $3,500 limit been in place, and does it serve as too strict a limit on annual as well as long-term agreements?

Answer: The current $3,500 limit has been in place for 5 years. It was increased from $2,500 by the 1979 Agriculture, Rural Development, and Related Agencies Appropriations Act. The $3,500 per person per year maximum payment limitation has not been too strict for annual agreements. At the current funding level it has encouraged wide participation in the program.

However, under long-term agreements the limitation inhibits efficient installation of practices and imposes undue hardship on farmers, SCS, and ASCS in planning and implementing soil and water conservation and pollution abatement practices. Currently each long-term conservation plan must be broken down into increments of material, work and labor that can be accomplished for $3,500 each year. The proposed change to exclude long-term agreements from the limitation would allow the Secretary of Agriculture to determine the maximum payment limitation for long-term agreements as provided in the 1977 Farm Bill.

Question: The explanatory notes provide no geographic breakdown for the proposed combined conservation program. How would these funds be distributed amongst the States and how would this methodology differ from the current system?

Answer: The following table shows the estimated FY 1985 allocations to States under the consolidated program based on current allocation formulas. For allocation purposes it was assumed that of the $80 million, county committees would use $70 million for ACP, $4 million for FIP, and $3 million for WBP; ECP funds totaling $3 million would be held in reserve at the national level. The single allocation made to each State office would allow State and county committees complete flexibility in identifying conservation problems, assigning priorities and designating funds to the most critical ACP, FIP and WBP needs.

ACP Allocations
(In thousands of dollars)

State	Estimated FY 1985 Allocation 1/
Alabama	2,315
Alaska	102
Arizona	793
Arkansas	1,872
California	2,188
Colorado	1,588
Connecticut	147
Delaware	99
Florida	1,896
Georgia	2,325
Hawaii	210
Idaho	1,105
Illinois	2,356
Indiana	1,593
Iowa	2,586
Kansas	2,117
Kentucky	1,791
Louisiana	1,741
Maine	874

ACP Allocations, continued (In thousands of dollars)

State	Estimated FY 1985 Allocation 1/
Maryland	425
Massachusetts	204
Michigan	1,683
Minnesota	3,132
Mississippi	2,306
Missouri	2,880
Montana	2,073
Nebraska	1,779
Nevada	291
New Hamsphire	255
New Jersey	211
New Mexico	863
New York	1,733
North Carolina	1,880
North Dakota	2,554
Ohio	1,676
Oklahoma	1,964
Oregon	1,549
Pennsylvania	1,686
Puerto Rico	249
Rhode Island	29
South Carolina	1,348
South Dakota	1,553
Tennessee	1,542
Texas	6,491
Utah	708
Vermont	365
Virginia	1,408
Virgin Islands	9
Washington	1,823
West Virginia	645
Wisconsin	2,230
Wyoming	758
Total	76,000

1/ Includes funds for ACP, WBP, and FIP. Also includes for ACP and WBP technical assistance funds for SCS. Excludes $3 million held in reserve for ECP, $750,000 for Forest Service technical assistance, and $250,000 general reserve.

DAIRY INDEMNITY PROGRAM

Question: Are there currently any outstanding claims for indemnity under the Dairy Indemnity Program for which funds are not available?

Answer: All claims have been paid except one from the State of Alabama which was not approved because the producer treated several cows with penicillin. The milk from these cows was mistakenly mixed with milk from other cows, contaminating the entire milk production. To be eligible for an indemnity payment, the loss must be through no fault of the producer. In this case, it appears the producer was negligent and the claim was denied. FY 1984 funds remaining after payment of all approved FY 1983 claims total $392,016.

ASCS SALARIES AND EXPENSES

Question: The notes indicate a $1.2 million increase in the cost of communications, utilities and other rent for ASCS for the figure presented for FY 1984 last year and the level presented with the FY 1985 budget. Please explain this increase.

Answer: PIK-related postage and fees account for $700,000 of the $1.2 million increase for FY 1984 communications, utilities, and other rent. State offices are using these funds for mailing forms required by IRS to all PIK program participants, and for mailing program guidelines to county offices. The FY 1984 President's Budget did not include ASCS salaries and expenses funds for operating the PIK program, which was announced in January 1983.

Most of the balance of the increase reflects an additional $452,000 needed for commercial telephone line charges in State Offices resulting from the divestiture of AT&T.

Question: How much will be spent on administering the tobacco price support program in FY 1985 and how does this compare with FY 1984?

Answer: ASCS costs are estimated at $16.4 million in FY 1985 and $15.1 million in FY 1984 for administering the tobacco price support program.

ASCS EVALUATIONS

Question: Please describe any recent evaluations completed utilizing funds provided for program formulation and appraisal, and a description of what work will be undertaken in FY 1985 with the funds requested in this project area.

Answer: ASCS recently completed two major evaluations of agency requirements related to information resource management. In July 1983, our IRM Policy and Planning Staff completed a feasibility study of ADPE acquisition in support of ASCS State and county automation. The ASCS long range information resources management plan was revised in August 1983.

ASCS also recently coordinated a major agencywide assessment of the 1983 PIK program. Through its various program divisions ASCS also conducts routine evaluations of program operations and policy alternatives, such as developing program regulations and evaluating comments received in response to publication in the Federal Register. In March 1984, a cooperative effort by ASCS, SCS, and ERS produced a preliminary report of conservation benefits of the 1983 PIK and acreage reduction programs. Each of these evaluations required a significant effort by ASCS staff involved in program formulation and appraisal.

In addition to these special reports, ASCS conducts ongoing evaluations of conservation programs. The USDA Conservation Reporting and Evaluation System (CRES) was used in 1,200 counties in 1983 to evaluate the cost-effectiveness of particular conservation practices on specific sites, and to encourage more effective use of financial and technical resources. In fiscal year 1984, we are expanding use of the CRES to all our county offices.

A preliminary report of comprehensive monitoring and evaluation of selected Rural Clean Water Program projects in five States will be completed in April 1984, with additional reports due in 1986 and upon project completion. ASCS also performs economic evaluations of best management practices and general monitoring of all RCWP projects. These activities are now included in the CRES system.

As our State and county office automation project progresses, ASCS will devote resources to evaluating its progress as we expand implementation from pilot county and State offices in 1984 to all State offices and one-third of county offices in fiscal year 1985. Nationwide implementation will be completed by fiscal year 1988. In fiscal year 1985, we will also continue the ongoing evaluation activities previously mentioned.

QUESTIONS SUBMITTED BY SENATOR CHILES

AGRICULTURAL CONSERVATION PROGRAM

Question: In FY 1984 almost all States received cost-share funding for agricultural conservation programs. I believe some $19 million was expended nationally in this effort yet Florida received nothing. Would you explain why Florida was not targeted for some of this money?

Answer: Through March 1984, the State of Florida has received regular ACP allocations totaling $2,911,000, long-term agreement allocations totaling $430,000, national reserve acreage conservation allocations of $15,200 and, from the $19 million you mentioned, targeted allocations of $105,000. The targeted funds were designated for water management practices in six counties. Erosion control practices in five counties have not yet been funded because Congress limited targeted funds in FY 1984 to the FY 1983 level.

Question: Do you anticipate Florida receiving any of these funds in FY 1985?

Answer: No funds are requested for targeting in FY 1985. The $80 million requested for FY 1985 will be used to fund regular Agricultural Conservation, Forestry Incentives, Water Bank, and Emergency Conservation Program allocations, for which the State of Florida will receive its proportionate share of regular program allocations.

Question: Conservationists around the country are concerned about the proposed elimination of the Forestry Incentives Program. Would you explain why this program is being eliminated?

Answer: At the requested FY 1985 funding level, we are proposing one appropriation for four conservation programs. It is our strong feeling that flexibility at the county level would give us the most conservation for the dollar. A single allocation would be made to each State. State and county committees, who are best able to assess local conservation problems, would have complete flexibility in identifying conservation problems, assigning priorities, and designating funds to the most critical ACP, FIP, WBP, or ECP needs.

In the final analysis, county ASC committees would determine how much would be used for each program.

Question: I understand some functions of the FIP are going to be combined with the Agricultural Conservation Program but that funding for the ACP is going to be cut by more than half. How can you possibly continue FIP efforts when the program it's supposedly being combined with is having its own budget cut back so drastically.

Answer: We would, through formula, allocate about $4 million to States currently in FIP, $3 million to States currently in the WBP, and $70 million to States for ACP. The remaining $3 million would be reserved at the National level for ECP and allocated as needs arise. This breakdown of program funds is about the same percentage as that used in FY 1984. A single allocation would then go to States and counties. Approved FIP counties would receive one allocation for the three programs and would determine the mix of practices that would best meet the conservation needs in their areas. Local committees would make the final decision on how much will ultimately be used for FIP.

COMMODITY CREDIT CORPORATION

FOREIGN AGRICULTURAL SERVICE

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

STATEMENTS OF:

DANIEL AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

RICHARD A. SMITH, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE

JOAN S. WALLACE, ADMINISTRATOR, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

ACCOMPANIED BY:

ALAN TRACY, DEPUTY UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

GEORGE J. POPE, ACTING GENERAL SALES MANAGER AND ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE

JOHN W. WILLIAMS, DIRECTOR, BUDGET AND FINANCE DIVISION, FOREIGN AGRICULTURAL SERVICE

ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF SECOND PANEL

Senator COCHRAN. The subcommittee will return to order.

Our second panel this afternoon will discuss the commodity programs and various international activities of the Department of Agriculture.

The Commodity Credit Corporation is a wholly owned Government corporation responsible for stabilizing, supporting, and protecting farm income and prices. The Commodity Credit Corporation has broad financing authority, which includes the administration of direct and guaranteed export credit loan programs. Its activities are carried out primarily by personnel of the Agricultural Stabilization and Conservation Service.

The Foreign Agricultural Service is responsible for the export expansion programs of the Department. FAS' functions include foreign market intelligence and access, development of foreign markets for U.S. agricultural products, and representation of U.S. agricultural interests in U.S. embassies and trade offices abroad.

Associated with the Foreign Agricultural Service is the General Sales Manager whose office is responsible for coordinating the policies and programs of Public Law 480—the Food for Peace program—and various other export sales programs.

Our final agency today is the Office of International Cooperation and Development. It is responsible for cooperative international research, scientific and technical exchanges, and liaison with international agricultural organizations. OICD also directs training and technical assistance efforts in more than 50 developing countries. This year OICD is also initiating a program for training students from middle income countries—those that have exceeded the per capita income standards that limit eligibility for assistance from the Agency for International Development.

We want to welcome to the subcommittee Daniel Amstutz, Under Secretary for International Affairs and Commodity Programs; Alan Tracy, Deputy Under Secretary, International Affairs and Commodity Programs; Everett Rank, Administrator of the Agricultural Stabilization and Conservation Service; George J. Pope, Acting General Sales Manager and Associate Administrator of the Foreign Agricultural Service; and Joan S. Wallace, Administrator of the Office of Inter-national Cooperation and Development. We have your statements and would ask you to make any summary comments you feel are appropriate.

I, unfortunately, have to catch a plane this afternoon to go to an important event, so I will have to leave here at 3:30 whether we are through or not. I think we will be through by then. So if you can cooperate with me in that way and summarize your statement, we will have a chance for some discussion.

Please proceed, Mr. Amstutz.

PREPARED STATEMENT

Mr. AMSTUTZ. Thank you, Mr. Chairman.

In the interest of time I would ask that my statement be included in the record.

[The statement of Daniel Amstutz and biographical sketches follow:]

STATEMENT OF DANIEL G. AMSTUTZ

Mr. Chairman, Members of the Committee, thank you for this opportunity to discuss with you the FY 1985 budget for the three agencies reporting to the Under Secretary for International Affairs and Commodity Programs. They are the Foreign Agricultural Service, including the General Sales Manager's office; the Office of International Cooperation and Development; and the Agricultural Stabilization and Conservation Service. The Under Secretary serves as ex officio President of the Commodity Credit Corporation.

With me today is Deputy Under Secretary Alan Tracy. Mr. Tracy appeared before the Committee last year to discuss the international programs. Also here today are Everett Rank, the Administrator of ASCS, Dick Smith, the Administrator of FAS and Joan Wallace, the Administrator of OICD. George Pope, the Acting General Sales Manager, is also here.

Administration Economic Policy

Earlier this month, the Secretary of Agriculture described to you the considerable successes realized by the Administration's economic policies during 1983. Economic growth exceeded our expectations, unemployment surprised everyone with its rapid decline, and interest rates stabilized. Inflation has been cut to less than four percent. We expect these successes to continue during 1984 and 1985.

The farm economy has rebounded, along with the economy in general. The PIK program and the drought combined to cut excessive stocks of feed grains and cotton; wheat stocks remain about the same, but are significantly below the levels that would have been reached without the PIK program. The value of agricultural exports is expected to climb in FY 1984, despite a small drop in volume. Net farm income in 1984 is expected to be about one-third above the 1983 level.

The budget proposals in the international affairs and commodity programs area are intended to take advantage of the accelerating recovery at home and abroad, helping to further strengthen the agricultural sector.

Agricultural Export Development

Long-term, sustainable export growth remains one of the highest priorities of this Administration. Agricultural export earnings bolster the U.S. economy, generating at least two dollars in activity for each dollar of exports. During 1982 we were faced with a global recession, record global output, competition from other exporters, protectionism and the strong dollar. During 1983 only the first of these has changed significantly. Led by the U.S., the world has started on the path to economic recovery. In 1983, the decline in global output of agricultural products was almost entirely due to the United States' PIK program and drought -- other countries generally produced large crops. Subsidized competition from other exporters, particularly the EC, remains a problem, as do import restrictions. And the dollar is still strong.

One of our major accomplishments last year was the signing of a new Soviet grains agreement. For FY 1984-88, the Soviet Union must purchase a minimum of nine million metric tons of U.S. wheat and corn annually. Up to one million tons of the minimum can be satisfied by purchases of 500,000 tons of soybeans and/or soybean meal. During any year of the agreement the Soviet Union may purchase an additional three million tons of wheat and corn without prior consultation. We are confident that this new agreement will enable us to sell more grain over the 5-year period, and will help to rebuild our reputation as a reliable supplier.

We are continuing our efforts to further increase exports with an aggressive export sales policy, expanded sales promotion, provision of credit and personal representations. However, the rate of recovery in exports over the next few years will also depend on such factors as the value of the dollar and general world economic conditions.

Domestic Developments

In 1983, U.S. farmers harvested dramatically reduced crops. This was due primarily to two factors: the PIK program and the drought.

At the end of the 1982/83 season, stocks had risen to extremely burdensome levels in this country. We had on hand 1.5 billion bushels of wheat, 3.1 billion bushels of corn, 71.5 million hundredweights of rice, and nearly 400 million bushels of soybeans. Prices were at or below the loan rate for all major commodities. The farmer-owned reserve had been opened for 1982 crops, but the sheer size of the stocks overhung the market.

The PIK program and the drought combined have substantially reduced stocks of feed grains, cotton and rice. The President's budget estimated feed grain stocks at about 23 MMT at the end of the 1983/84 season, about 77 percent less than last year. Similarly, cotton stocks were estimated at about 4.0 million bales and rice stocks at about 38 million hundredweight, about half of last year's stocks. Winter wheat was largely harvested before the drought struck, and so wheat stocks at the end of the 1983/84 year will be about the same as last year. Nevertheless, the wheat stocks will be below the level that would have been reached without a PIK program. These stocks estimates have since been revised slightly, but the general outlook for this year's crops remains the same.

The PIK program benefitted drought-stricken producers far more than either a larger acreage reduction program or more ambitious cash diversion program. It made commodities available that substituted for lost production. Prices also rose, enhancing the value of the PIK commodities. Undoubtedly, the PIK program helped some farmers avoid bankruptcy last year.

The PIK program also helped reduce the outlays for farm programs. In FY 1983, CCC outlays were nearly $18 9 billion, primarily because of the huge 1981 and 1982 crops and slack export demand. Outlays for FY 1984, which are related primarily to the 1983 crops, are estimated at only $6.8 billion.

We have announced a PIK program for the 1984 crop of wheat only, in an effort to further reduce wheat stocks. Other commodities will be subject to more traditional acreage conservation program requirements, in keeping with the improved stocks situation.

Another significant development which will affect the budget has been the Dairy and Tobacco Adjustment Act of 1983. Although the diversion program contained in that Act will temporarily reduce the dairy surplus, we believe that it will be necessary to continue price support at a relatively low level to induce permanent adjustment.

Two further changes in the commodity programs are proposed in the President's budget. One is to make the honey program discretionary, beginning with the 1985 crop. It has become increasingly clear that our legislated price support level for honey is well above world prices and out of tune with market forces. As a result, domestic producers sell their honey to CCC for the higher government support price, and honey users are forced to import. CCC outlays for the honey price support program in FY 1984 are likely to be nearly $70 million -- more than 2.5 times the $27.4 million spent in FY 1982.

The second change is a renewal of our proposal to freeze target prices. We would hold the target prices for the 1985 crops at the 1984 levels. As we have argued for well over a year, the ever-increasing target prices mandated by the Food and Agriculture Act of 1981 are not consistent with the new economic climate, nor with the desire to reduce surplus production. CCC outlay savings of $1.9 billion would be realized in FY 1986.

FY 1985 Budget Request

The agency Administrators will provide the details of the budget requests for their agencies, but I would like to make a few general comments.

The Foreign Agricultural Service plays the key role in agricultural export expansion efforts. For FY 1985, we are requesting an increase in funds for market development and market intelligence activities. The budget for these areas was developed by working with private cooperator groups to identify country/commodity combinations that have significant potential for export growth. The benefit/cost ratio of the focused approach is highly positive; a dollar spent returns much more in terms of enhanced sales and prices.

We also propose to discontinue the purchase of LANDSAT data from NOAA in FY 1985. We believe that we can accomplish similar results at a much lower cost using the meteorological satellite data. Thus, the net effect on the FY 1985 budget for FAS is a small decrease of $0.7 million from FY 1984's $83.9 million budget authority level.

P.L. 480 is also integral to our export expansion efforts. Recipients of P.L. 480 often graduate and become important commercial customers. In the President's budget, we propose an additional $113 million for Title I/III of P.L. 480; this would finance approximately 0.5 MMT of additional shipments. For Title II, we propose a program level of $650 million, which would enable us to ship the legislated minimum 1.7 MMT. In FY 1984, a supplemental for Title II would raise the program level from $650 million to $740 million, enabling us to meet urgent humanitarian needs in Africa. We have also proposed a $25 million Title I supplemental for FY 1984 and a $36 million Title I budget amendment for FY 1985 as a part of the President's Central American package.

Another piece of our complementary export development package is direct and guaranteed credit. In FY 1984 and FY 1985, we plan to continue to operate the blended credit program, which makes available direct credit, at zero interest, combined with guaranteed credit at commercial rates of interest.

Additional export credit guarantees will also be offered. The total guaranteed credit level was recently increased to $4.0 billion for FY 1984. In FY 1985, we have projected a more normal level of $3.0 billion, assuming better world economic conditions. These levels can, of course, be adjusted at any time if economic or competitive conditions warrant.

The Office of International Cooperation and Development is the lead agency of the Department for international agricultural development. We propose to continue most OICD programs at the same level as in FY 1984. We also ask that you reconsider providing the $500 thousand program we requested last year for Caribbean Basin countries. We continue to believe that such a program would benefit both the U.S. and our partners in Central America and the Caribbean. We do not propose a renewal of funding for middle-income training in FY 1985. This program was funded by the Congress in FY 1984; we are viewing it as a temporary program.

The Agricultural Stabilization and Conservation Service encourages conservation of resources through cost-sharing programs. In FY 1985, we are again proposing a limited Agricultural Conservation Program. In addition, we are proposing separate funding for the Colorado River Basin Salinity Control Program.

Finally, we are requesting $8.7 billion in FY 1985 to complete the restoration of FY 1984 losses experienced by the CCC. FY 1984 losses are only about half those experienced in FY 1983 because non-recoverable outlays, such as deficiency payments, have declined, and because most of the $9.7 billion in losses attributable to the PIK program were assigned to FY 1983.

Mr. Chairman, I look forward to working with you this year to maintain a healthy and profitable agriculture.

Biographical Sketches

DANIEL G. AMSTUTZ
UNDER SECRETARY OF AGRICULTURE
FOR
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Dan Amstutz has been Under Secretary of Agriculture for International Affairs and Commodity Programs since May 23, 1983.

He is responsible for the activities of three agencies of the Department of Agriculture: The Foreign Agricultural Service (FAS), the Agricultural Stabilization and Conservation Service (ASCS), and the Office of International Cooperation and Development (OICD).

Prior to joining the Administration, Amstutz was a general partner of Goldman, Sachs and Company of New York, an investment banking firm where he developed and directed commodity activities since 1978.

Before that, he had been associated with the Cargill organization for nearly 25 years. In his last assignment with Cargill, he was president and chief executive officer of Cargill Investor Services, a commodity brokerage and consulting firm which he created.

While with Cargill, Inc., Amstutz was director of feed grain merchandising and deputy director of wheat merchandising. He also served as manager of Cargill activities in Germany and the Scandinavian countries and was one of the original cadre of Cargill officials who created the company's overseas organization, TRADAX, in Geneva, Switzerland.

Amstutz has been a member of the executive committee and director of the National Grain and Feed Association and was a director of the U. S. Feed Grains Council. He was also a member of the Chicago Board of Trade, the Chicago Mercantile Exchange, and other principal commodity exchanges.

He received his Bachelor of Science degree from the Ohio State University, Columbus, and is a member of the university's President's Club.

George J. Pope

George J. Pope is the Assistant Administrator for Export Credits and Assistant General Sales Manager, Foreign Agricultural Service. He is responsible for the development and implementation of the United States Department of Agriculture's export credit programs which include Public Law 480, CCC commercial credit, and barter.

A native of Columbus, Mississippi, Pope attended Mississippi State University and received a master's degree from Mississippi State College. During 1963-65, he worked in the Peace Corps in Chile.

He joined USDA in 1967. Between 1967 and 1980, he worked in various marketing programs to developing countries. In 1980, he was assigned as Agricultural Counselor to Nigeria where he served until mid-1982, when he moved to a similar post in Indonesia.

FOREIGN AGRICULTURAL SERVICE

Mr. AMSTUTZ. I am, of course, here to answer any questions that you may ask in these important areas.

Dick Smith, Administrator of the Foreign Agricultural Service, and Joan Wallace, Administrator of the Office of International Cooperation and Development, have summary statements, and I know they would be pleased to offer them at this time.

Mr. SMITH. Thank you, Mr. Chairman.

I have a statement that we will put in the record in order to conserve time. I just would like to make a few points.

First, I want to thank the committee for the fine support we have received over the years in our efforts to expand our agricultural exports. We have had a lot of success over the years, but recently we have been seeing some problems, mainly because of competition. We are also seeing a slacking off of demand around the world because of financial problems. I think the budget that we have submitted tries to address these issues in an effort to turn our momentum around in agricultural exports.

I am optimistic that with a lot of hard work we are going to be able to see a turnaround in it. It is going to require hard work not only on the part of the Foreign Agricultural Service, but the whole agricultural industry.

PREPARED STATEMENT

I think with that summary statement, I will be glad to answer any questions that the chairman may have.

Senator COCHRAN. Thank you, Mr. Smith.

[The statement of Richard A. Smith follows:]

STATEMENT OF RICHARD A. SMITH

Mr. Chairman, members of the Subcommittee. Once again it is a privilege to meet with you--to discuss the Foreign Agricultural Service and its programs--and to present our budget request for the fiscal year 1985.

We appreciate the guidance provided by the Chairman and the Subcommittee over the years--and look forward to reviewing our programs and activities with you.

Our budget request for fiscal year 1985 reflects the need for intensified work to develop foreign markets in a difficult climate for trade and at the same time our recognition of the need for budgetary restraint.

In the past two years, the value of U.S. agricultural export sales has slipped by some 20 percent. During this period we have had to work against a global recession, a strong dollar, and severe monetary and debt problems that have further dampened demand in once-promising developing and centrally planned markets.

At the same time, many of our key competitors stepped up their agricultural production despite the falloff in world demand. They then employed export subsidies or other price-cutting methods in order to move burdensome supplies onto the world market.

To counter these factors, the Foreign Agricultural Service has stepped up its efforts over a broad range of activities, and we expect some improvement in the value of exports this year.

With the Chairman's permission, I will summarize our principal activities before proceeding to the budget request.

CREDIT

In the short term, our credit programs are the best tools we have to counteract weak demand and intense competition in countries with serious liquidity problems.

Accordingly, we have allocated more funds to credit guarantees under the GSM-102 program in the past two years than at any time in the history of market development. The total was $4.8 billion in fiscal year 1983, and our authorization for the current fiscal year has been set at $4 billion, for a total of almost $9 billion for the two years.

GSM credit guarantees allocated financing for the export of about 23 million tons of U.S. agricultural commodities in fiscal year 1983, and guarantees have been provided for shipments totalling approximately 16 million tons thus far in fiscal year 1984.

Blended credit, in which GSM-102 guarantees are combined with direct, interest-free government credit under GSM-5, has been another valuable tool.

Blended credit financing was allocated for about 6 million tons of agricultural exports in fiscal year 1983 and for approximately 1.6 million tons thus far in the current fiscal year.

To get the maximum return from the blended credit program this year, we are using it to compete with subsidized exports, particularly from the European Community.

For two years now we have expedited the allocation of commodities under Titles I/III of the P.L. 480 Program to speed up exports under this program. About two-thirds of the allocations for fiscal year 1984 had been approved by the end of the first quarter.

P.L. 480 has long been one of the United States' most successful market development tools, turning many former assistance recipients into cash customers. Korea, now the fifth largest market in the world for U.S. farm products, is perhaps the best example. However, many other nations--among them Egypt, Indonesia, the Dominican Republic, Morocco, Tunisia, and Peru--also are making the transition from aid to trading partner.

We are emphasizing the market development aspects of P.L. 480, and are continuing to review the program to determine whether changes are needed and/or possible to ensure that the program is better able to respond to the balance of payments problems facing many middle-income countries.

We also support the use of P.L. 480 programs to promote economic development. U.S. AID missions have responsibility for the development of each Title I sales agreement. They are given detailed guidance and considerable authority to try to secure the best development package possible. The self-help measures of Title I agreements and the Food for Development programs authorized for poorer countries under Title III include support both for projects and for policy revisions expected to remove obstructions to participating countries' economic progress.

Monitoring and reporting on country performance under self-help measures and Title III programs are functions that are handled by the Agency for International Development. The Department of Agriculture's view is that developmental performance is generally acceptable, although progress is particularly difficult in today's world economic situation, even with the resources provided by the program.

In some cases--Bolivia and Egypt are examples--the positive impact of Title III food for development agreements on rural residents has been substantial. The emphasis given to using the P.L. 480 commodities to generate economic development is an ongoing effort, and the expanded levels proposed for FY 1985 programing should help considerably toward that goal.

MARKET DEVELOPMENT

America's agricultural producers and exporters continue to be fully represented in our market development planning process--and they are bearing a sizable part of the cost of implementing an aggressive market development program. In fact, their spending more than matches the level of government funding. More than 50 commodity-oriented trade organizations are working with us to pinpoint markets and situations with the best market opportunities for U.S. agriculture.

This cooperative planning process has shown the need to shift the emphasis and direction of the market development program. We are reducing the share of the market development budget directed toward Japan and Western Europe where we have aggressive trade servicing programs in place that will enable us to maintain our sales.

The savings are being used to increase our market development efforts in the Middle East and Africa, Latin America and the Caribbean, and Southeast Asia--developing regions that offer the greatest long-term potential for market growth. The budget shares for these regions are being raised by 50 percent, 33 percent, and 43 percent, respectively, to tap their long-term market potential.

Half of our current budget for the cooperator program is targeted toward the development of markets for high value products--which includes such fresh items as fruits and vegetables and most dairy and livestock products and live animals, as well as the entire spectrum of value-added, or processed, products. Trade in these items generates far more U.S. jobs than bulk commodities. Thus, when export markets for value-added products can be identified, there are clear economic benefits to be gained by capturing them.

I'd like to outline just a few of the initiatives underway in the value-added area.

Value-Added Initiatives

Worldwide, the market for high-value and value-added products is about $100 billion. At present, the United States accounts for about 13 percent of the world total. Our goal is to enlarge that to 20 percent of the world total by the end of the decade through improved services overseas and working harder to inform exporters of market opportunities and FAS services. Such an increase in our market share would generate an additional $25 billion in our gross national product, create about 1 million more jobs, and boost our foreign exchange earnings by about $8 billion a year.

Our expansion plan for high-value and value-added exports includes, among other things:

--Promotion team meetings with processed food companies, exporters, trade associations, and State and regional marketing groups. Teams will conduct "how to" seminars around the United States targeted at new-to-export companies, and existing exporters interested in new markets.

--A special pilot program designed to promote exports of high-value/value-added agricultural products. This program is designed to be administered by the four regional marketing groups and will allow us to promote many new products, beyond those currently covered in our cooperator and export incentive programs.

—A trade office in Algeria, which currently imports $2.3 billion worth of agricultural commodities each year. Algeria is traditionally supplied by European countries; the United States only has 12 percent of the market. We believe opening an agricultural trade office would not only boost our bulk commodity trade, but would also add significantly to value-added sales. Half of Algeria's agricultural imports are value-added products.

TRADE POLICY

We are, of course, continuing actions to reduce or prevent unfair trade practices by other countries. We are focusing on our major trading partners--specifically the European Community and Japan--and on multilateral efforts to improve the international

As I suggested earlier, we are using CCC funds as an export incentive as well as a trade policy tool. Through the selective use of these funds, we are maintaining pressure on the EC to reform its Common Agricultural Policy so that EC prices are in line with the world market situation.

Through this pressure and through continuing negotiations, we are working to move the EC toward the eventual elimination of agricultural export subsidies and acceptance of GATT rules to that effect. We are attempting to marshal support from other countries through the GATT Subsidies Code Committee and the GATT Committee on Trade in Agriculture.

With regard to [illegible] we have resumed bilateral talks pressing for the elimination of Japanese quotas on imports of beef and citrus.

Our action plan recognizes the strong interest on the part of many industries besides beef and citrus in the expansion of trade.

We see particular opportunities for forestry products, and are seeking elimination or substantial reduction of duties on plywood, veneer and particleboard, as well as other agricultural products.

While trade talks with Japan are focusing primarily on expanded access, we also are conveying our expectations concerning Japanese rice exports when the bilateral rice agreement expires later this year.

Also of top priority to us, and U.S. agriculture generally, is the strengthening of our agricultural trade relationships with China. Discussions will be held on the future trade framework after the U.S.-China bilateral grain agreement expires at the end of 1984.

INFORMATION

Analysis related to credit programs, market development, and trade policy depends on timely data and information. In fiscal year 1984, we plan to introduce computer technology into agricultural trade offices, as well as expand the high-speed telecommunications links between embassies and FAS. We also will be working to expand electronic dissemination of trade leads and market information within the United States.

BUDGET REQUEST

CCC Export Credits

We plan to make available $3.0 billion for our export credit programs in fiscal year 1985 to facilitate exports. This is about $1.0 billion less than planned 1984 levels because we are assuming that improvement in the world economy will relieve some of the need for credit. The level can be adjusted should conditions warrant.

Authorization for the credit guarantee programs does not represent direct outlay of funds unless there is a case of non-repayment to the U.S. banks that actually make the loans to the recipient country.

An additional $175 million in direct credit will continue to be made available for other export promotion opportunities in conjunction with the credit guarantee program. We will continue to use a blend of credit programs as necessary to maintain the United States' market share of foreign export markets.

P.L. 480

In 1985, we are requesting a total program level of $1,671 million for the P.L. 480 program, an increase of $34 million over planned programing in 1984 including supplemental requests. Our request for the Title I/III sales program is $1,021 million, which will provide long-term concessional financing for 4.8 million metric tons of agricultural commodity exports.

We are requesting a program level of $650 million for the Title II program, which will provide 1.7 million metric tons of food donations. The total tonnage under the P.L. 480 program is estimated at 6.5 million metric tons, an increase of 0.3 million over the planned 1984 level including supplementals.

We presently have two requests before Congress for supplemental appropriations in fiscal year 1984. The first seeks $90 million for the Title II program to help meet the emergency food needs of 18 African countries. The second requests an additional $25 million for the Title I/III programs for assistance to Central America; it is one part of the proposed package of economic assistance based on recommendations in the report of National Bipartisan Commission on Central America.

General Sales Manager

We are requesting $6.025 million for the General Sales Manager to carry out these programs. The $6.025 million will be funded by allotment from the Commodity Credit Corporation and represents an increase of $76,000 for restoration of pay cost increases absorbed in fiscal year 1984.

Foreign Agricultural Service

The budget request for FAS salaries and related expenses in 1985 is $83.291 million, a decrease of $692,000 from the fiscal year 1984 adjusted amount. We realize the crucial need for reducing the drain on the national treasury, and so have worked to realize savings in our information gathering activities and personnel expenditures. However, we are increasing the resources devoted to long-term market development activities.

We plan to devote an additional $4.309 million to new market development activities in countries identified as having the greatest growth potential. Of this, $250,000 is for the special pilot program designed to promote exports of high-value/value-added agricultural products.

Increased operating costs account for an increase of $1.657 million, including the new agricultural trade office in Algeria.

The increased operating costs include wage increases for foreign national employees, increased rental and utility costs, supplies and services, and payments to the Department of State for administrative support. The amount requested is above exchange rate gains realized to date, and to a limited extent, above those projected in 1985 . An additional $434,000 will be required for annualized pay costs which were partially absorbed in fiscal year 1984.

In fiscal year 1985 FAS intends to discontinue the purchase of LANDSAT remote sensing data from the National Oceanic and Atmospheric Administration because of problems with timeliness and the reliability of the data delivery system. This will result in a savings of $7.014 million.

A further savings of $78,000 will also be realized as a result of greater efficiencies in administrative support activities and a phased reduction in positions in grades GS/GM 11-15.

In the Foreign Agricultural Service we are determined to use all our credit, market development and trade policy tools to enhance exports during the coming fiscal year. The decline we are now experiencing in exports has not only weakened farm income prospects, but also is costing jobs and earnings off the farm. We are determined to reverse this trend.

We are grateful for the continued support of this subcommittee--and for this opportunity to appear before you.

That concludes my statement, Mr. Chairman. I will be glad to respond to questions.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Senator **COCHRAN**. I think we will let everyone make comments and then I will have a chance to question the entire panel.

Dr. Wallace.

Dr. **WALLACE**. Thank you, Mr. Chairman.

I am pleased to have this opportunity to discuss the programs and budget of the Office of International Cooperation and Development.

Mr. Chairman, whether farmers in Iowa or Mississippi or Texas make a profit hinges on the strength of our agricultural trade with other nations and, therefore, exports demand a great deal of attention. But there is another kind of international agricultural trade taking place throughout the world—the exchange of research findings, statistical data, and technology. This trade is in knowledge rather than in commodities, but it, too, is vital to the American farmer.

The work we do at OICD with appropriated funds focuses mostly on promoting this type of agricultural trade among nations, and it takes the form of scientific technical exchanges, international agricultural research, liaison with international organizations, and the pilot AID-graduate training program.

OICD FISCAL YEAR 1985 BUDGET

Mr. Amstutz has asked that I outline the budget. The budget request for 1985 includes $3.6 million for scientific and technical cooperation, and development planning and analysis. This is $1.4 million less than appropriated in 1984. In 1984 Congress added $1.5 million to our budget to begin the pilot program of agricultural training for students from AID-graduate countries. No funds for this program are requested in our budget submission for 1985.

Foreign agricultural research, paid for through excess foreign currencies held by the U.S. Treasury, is budgeted at $5 million. This is the same level as in fiscal year 1984.

CARIBBEAN BASIN INITIATIVE

Our 1985 budget also includes a request for $500,000 for the Caribbean Basin Initiative. These funds will be used to improve agricultural development in the Caribbean, primarily by other USDA agencies.

In recent years, USDA has increasingly been called on to help meet foreign policy objectives. The President's Caribbean Basin Initiative is a good example.

A key element of USDA's response to the Caribbean Basin Initiative has been the formation of Secretary Block's Agribusiness Promotion Council. OICD organized the council which actively promotes development of Caribbean agriculture through private investment by U.S. agribusinesses.

In the Caribbean and elsewhere, U.S. agricultural interests should be shaping the course of development. USDA agencies should be involved not only because we have the expertise, but because we can help accommodate the significant interests of American farmers. If development does not take place, we are likely to witness an economic collapse of the Caribbean Basin, or worse, and we would all lose.

Ultimately, stronger economies in the Caribbean and other parts of the developing world can create stronger markets for U.S. farmers. Right now, our agricultural trade with many developing countries is curtailed, at least partly because they are too poor to buy the food we have to offer. Strengthening their economies is in our own economic and political self-interest.

SCIENTIFIC EXCHANGES

If I had to sum up our cooperative activities in a phrase, I would say it is "exchanging knowledge." By promoting international activities that share agricultural knowledge, we help farmers and consumers both here and abroad. For example, scientists estimate that air pollution causes between 1.7 and 3 billion dollars' worth of damage to U.S. crops each year, so OICD has obtained the results of French research on how crops react to environmental stress. Other scientific exchanges have focused on important agricultural concerns like acid rain. We have scientific exchanges with Italy that directly support the promotion of almond exports. A forestry exchange team gave the Chinese seeds of fast-growing southern tree species which resulted later in nearly 1 million dollars' worth of seed sales by two southern seed companies.

Japanese and U.S. scientists have also had exchanges on biological pest control. Joint work included collecting parasites in Japan that attack the southern green stink bug. These parasites will be released in Mississippi, Louisiana, and other Southern States. Losses of soybeans in 1983 because of the southern green stink bug were over $60 million.

INTERNATIONAL RESEARCH

International research has similarly supported U.S. agriculture and has been quite economical. Using the special foreign currency program, we can get a foreign scientist to do research for about $25,000 per year whereas a scientist here in this country costs $90,000.

Research projects under different programs we administer focus on a variety of things—processing food and increasing the shelf life of citrus fruit are two examples.

I would like to show the Congress the concrete results of our projects between Israeli and U.S. scientists. This lemon that I am carrying shows the plastic wrap which was developed through the BARD project between Israel and the United States. This wrap increases the shelf life of this lemon threefold. It can stay refrigerated for up to 9 months without deteriorating. That is a tangible product of international research.

LIAISON WITH INTERNATIONAL ORGANIZATIONS

We also seek to advance the interest of U.S. agriculture through work with international organizations, and you may know that Secretary Block chaired the Food and Agricultural Organization meeting in Rome last year. It was the first time a U.S. Secretary of Agriculture had chaired the ministerial meeting since 1947. This meeting helped us focus on international issues like trade, world food security, and plant genetic resources. OICD has also placed about 32 Americans in the Food and Agricultural Organization. It is important to have Americans in international organizations so that we can make our impact felt.

TRAINING PROGRAM FOR AID-GRADUATE COUNTRIES

Mr. Chairman, I just would like to take a few more minutes to report on the new AID-graduate country training program. We have been doing training for a number of years, and we know of several ministers of agriculture who came to our doors and received their degrees in the United States. As you know, $1.5 million was placed in our budget last year because of the concern that many countries that have graduated from AID assistance lack the opportunity to learn about our way of life, our values, and our commodities. In 1984 we have worked very diligently to activate a pilot training program for these countries, and to-date we have accomplished several goals.

We have selected Korea, Turkey, Ivory Coast, Colombia, Mexico, and Venezuela. The criteria considered in the selection process were politics, strategic importance, economics, geographic balance, and whether the country was an AID-graduate and noncompetitive in agricultural trade. The selection process included consultation with the Foreign Agricultural Service, USDA cooperators, the State Department, and Congress. To-date all countries have been visited except Colombia. Reports from Korea and Mexico are extremely encouraging. The Koreans see the program as our helping them to handle the commodities that we sell to them.

I just returned from the Ivory Coast where the program was well received by the ministers of agriculture and rural development. It was seen as a response to President Houphouet-Boigny's request to the United States for help in extension and postharvest technology. There was strong competition for the few slots we have, in spite of the short leadtime. There was excitement about the program everywhere. Our Ambassador Miller was very delighted with the fact that we could offer this type of training. We plan to follow the program very carefully and evaluate it as quickly as possible.

PREPARED STATEMENT

Mr. Chairman, that ends my statement. We see ourselves as playing the role of an agricultural statesman in the programs we administer on behalf of USDA.

I would be happy to answer any of your questions.

Senator COCHRAN. Thank you, Dr. Wallace.

[The statement of Joan S. Wallace follows:]

STATEMENT OF DR. JOAN S. WALLACE

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to discuss the programs and budget of the Office of International Cooperation and Development.

As you know, the interests of the American farmer are increasingly affected by what goes on overseas. Our agricultural trade with other nations directly affects whether farmers make profits in Iowa, Nebraska, and Texas. Everyone connected with farming knows that. But we have other international dealings which, though less obvious than trade, have great impact on America's farmers.

The exchange of technology, research results, and other types of agricultural information among nations has become another form of trade. Only the trade is in knowledge, rather than commodities. How important is this to the American farmer? Unfortunately, it's hard to calculate the worth of this type of cooperation among nations. How do you compare it with an operating loan or price supports? You can't make simple dollar-for-dollar comparisons. So it is hard for people to understand the tremendous long-term benefits of international cooperation in agriculture.

The work we do at OICD with appropriated funds focuses primarily on different types of agricultural cooperation with other countries. This takes the form of:

- o scientific and technical exchanges,
- o international agricultural research, and
- o liaison with international organizations.

In addition to these activities, we are involved in the planning and analysis of development, and in leading USDA efforts supporting the President's Caribbean Basin Initiative. We do have other development-oriented activities -- namely, agricultural training and technical assistance -- but these are conducted on a reimbursable basis and no appropriated funds are used. Nevertheless, those activities are also of benefit to our farm community.

Last fiscal year the developing world bought 42 percent of our agricultural exports. We must maintain those markets. By strengthening the economies of developing nations through technical assistance and training we help build stronger markets for the American farmer. Both of these activities promote closer ties with the government officials who make the day-to-day decisions on trade in the developing countries.

In planning development activities, OICD strives to support U.S. agricultural interests as well as to build the economies of developing nations. A fine example of this is a livestock project we carried out for AID in Tunisia. As part of the project, we encouraged the Tunisians to upgrade their herds with U.S. Holsteins. So far, the Tunisians have already purchased 1,000 Holsteins and dairy equipment and supplies from the United States as part of this effort to develop their livestock industry. Holstein sales could reach 3,000 by the end of the program. That country's Ministry of Agriculture is negotiating a number of joint ventures and management contracts with U.S. firms. All told, the Tunisians are expected to spend $400 million on livestock improvement.

Our concern here today is with OICD's appropriated activities. So I would like to quickly summarize the budget request you have received for those programs. Then I would like to highlight some of our progress in using international programs to support U.S. foreign policy and help the American farmer.

FY 1985 Budget

Our budget request for fiscal year 1985 includes $3.6 million for scientific and technical cooperation and development planning and analysis. This is $1.4 million less than budgeted in fiscal year 1984. In fiscal 1984 we began a pilot program of agricultural training for students from AID-graduate countries using funds provided by Congress. However, there are no funds requested in our budget for this program in fiscal year 1985.

Foreign agricultural research, paid for through excess foreign currencies held by the U.S. Treasury, is budgeted at $5 million. This is the same level as in fiscal year 1984.

Our 1985 budget also includes a request for $500,000 for the Caribbean Basin Initiative. Most of these funds would be used by other USDA agencies to improve agricultural development in the Caribbean.

We expect increases in some of our activities that are not covered by appropriated funds. Funding for our training and technical assistance activities, which comes mostly from the Agency for International Development, should go up 10 percent in fiscal year 1985 to around $33.6 million. The bilateral programs we have with several nations, which are paid for by trust funds, will amount to roughly $7.9 million in fiscal year 1985. This is the same level as in 1984.

Support for U.S. Foreign Policy

In recent years, USDA has increasingly been called on to help meet foreign policy objectives. Our activities in support of the President's Cancun and Caribbean Basin Initiatives are good examples. More than half of the United States' economic assistance to the Third World is in agriculture and rural development. It is only natural that USDA take part in shaping and delivering that assistance.

A key element of USDA's response to the Caribbean Basin Initiative has been the formation of Secretary Block's Agribusiness Promotion Council. OICD organized the Council, which is actively promoting private investment in agriculture focusing on Honduras, Guatemala, Costa Rica, and the Dominican Republic. An agricultural marketing workshop was held in Miami that brought together U.S. agribusinesses and marketing managers from throughout the Caribbean Basin. We were particularly encouraged by the level of interest in CBI activities among U.S. firms as more than 50 firms sent representatives to the workshop.

The report of the Bipartisan Commission outlined in stark terms just how critical economic development is for the Caribbean. Because those nations rely on agriculture for more than half their export earnings, any long-term growth will require them to build their agricultural sectors. USDA agencies should be involved not only because we have the expertise, but because we can help minimize conflicts with the interests of American farmers.

In the Caribbean and elsewhere, U.S. agricultural interests should be shaping the course of development. We cannot afford simply to be observers. Ultimately, stronger economies in the developing countries can create stronger markets for U.S. farmers. Right now, we run an agricultural trade deficit with the Caribbean countries at least partly because they are too poor to buy the food we have to offer. In the long run, fostering development in that region is simply a case of enlightened self-interest. By stimulating economic growth we help create the purchasing power those countries need to buy U.S. goods.

CBI has other potential benefits for U.S. farmers besides strengthening markets for exports. More tropical agricultural research will help both Caribbean farmers and U.S. farmers in Hawaii, Florida and other Southern States, and Puerto Rico and the U.S. Virgin Islands. Technical assistance and training in plant protection and quarantine, grades and standards, and meat inspection also help protect U.S. agriculture from pests and disease.

Help for the American Farmer

Scientific and Technical Exchanges

If I had to sum up the goal of our cooperative activities in a phrase, I would say it is sharing knowledge. By promoting international activities that share agricultural knowledge we help farmers and consumers both here and abroad.

Obtaining important research results is a good example of these international activities. The French have done basic studies on how selected crops react to sulfur dioxide and cope with environmental stress. We have obtained the results of this research through OICD's exchange program.

It's true that we cannot put a precise dollar value on this research. But we can put a dollar value on the problem pollution poses for this nation's agriculture. Recent tests in California have shown that grape yields grew by 28 percent when impurities were filtered from the air. The head of the California Air Resources Board estimates that California's farmers alone are losing hundreds of millions of dollars a year because of air pollution. Estimates of nationwide damage vary from a low of $1.7 billion to as much as $3 billion a year.

By obtaining French research results on pollution we will save the United States the cost of duplicating basic research projects. Perhaps this information will also give us some leads on how to cut the significant damage that pollution is doing to our crops. A similar scientific exchange effort with the West Germans slated for this year will focus on acid rain. Once again, we expect to profit from the results of millions of dollars in West German research on acid rain, especially on damage to forests.

These scientific exchanges with the French and Germans are part of a program aimed at finding new ways to protect crops and livestock and promote U.S. farm exports. Last fiscal year we carried out 120 exchanges involving 280 scientists and 21 countries. We signed new cooperative agreements with three nations in 1983 — Mexico, Brazil, and New Zealand.

Developing higher yielding and more disease resistant crops is a major goal of the exchanges. Advanced research on sunflowers by Romanian scientists can help the U.S. sunflower industry develop new hybrids that combine the productivity and oil content of domestic lines with the hardiness of wild varieties. These hybrids could then cut costs for sunflower producers in Minnesota and the Dakotas.

Exchanges with the Hungarians on mechanized harvesting have commercial applications for cherry producers in Michigan, New York, and on the West Coast. Mechanized harvesting now reduces the productive life span of fruit trees by as much as 10 years or 30 percent of their potential. The exchanges will explore alternative machinery designs that will minimize damage to the root systems of fruit trees during harvesting.

Some exchanges focus on improving insect and pest control. In Nebraska, Kansas, and other Great Plains states alone, controlling grasshoppers costs farmers an average of $23 million a year. OICD has sponsored exchanges of information with Australian experts on biological control of grasshoppers and arranged for the collection of control agents found in Australia.

Japanese and U.S. scientists have also had exchanges on biological pest control. The goal is to improve integrated pest management in both countries.

Joint work included collecting parasites in Japan that attack the Southern Green Stink Bug. These parasites will be released in Mississippi, Louisiana, and other Southern states. In 1983 losses of soybeans in the South as a result of this insect pest have been estimated at over $60 million.

A major objective of our exchange program is to help save USDA money and improve performance. Some recent exchanges with the French reflect this. French scientists are among the world's leaders in remote sensing and they have given us access to advanced satellite data that is in many respects superior to that produced by the U.S. LANDSAT network.

The high resolution satellite sensors used by the French produce excellent data on crop and land use. As a result of our exchanges with them, we expect the precision of the data we now have to improve by a factor of four. The French were also among the first to apply remote sensing data in estimating evapotranspiration of crops and in yield modeling. USDA puts the value of this research at over $2 million, which exceeds the modest cost of our entire exchange program.

Another major objective of scientific exchanges is to support sales of U.S. farm products abroad. OICD designs these activities to lend a hand to the Foreign Agricultural Service and its cooperators as they direct efforts to expand our farm exports. Under our exchange program a U.S. agricultural marketing team visited China last year to provide U.S. producers with long-term information on the Chinese agricultural sector. A forestry exchange team gave the Chinese seeds of fast-growing Southern tree species which later resulted in sales by two Southern seed companies totalling a million dollars.

We are happy to report progress in our work with the California Almond Growers and FAS to persuade the Italians to help cut the EC duty on U.S. almonds from 5 to 2 percent. The Italians have agreed to pursue such a reduction in return for some U.S. trade concessions and an extensive program of science and technology. Letters of intent have already been signed. USDA will seek Congressional approval and funding for the science and technology package once the Italians seek a reduction in the EC duty. Lowering the tariff could increase U.S. almond sales by $15 million over the current level of exports to the EC which has run from $200 to $250 million annually in recent years.

OICD is now collaborating with other USDA agencies in efforts to obtain international assistance in controlling the current outbreak of avian influenza. We are working with the Agricultural Research Service (ARS) and the Animal and Plant Health Inspection Service (APHIS) on this problem. As of February 1, avian flu had already caused the destruction of 7 million laying hens, 3.5 million broilers, and nearly 84,000 turkeys in four states (Virginia, Maryland, New Jersey, and Pennsylvania). This disease has already caused a marked rise in egg prices.

The virulent form of avian influenza has been a problem in Europe and the Middle East for over a decade, while it has not affected U.S. flocks since 1929. So much of the expertise and field knowledge on controlling the disease is in Europe and Israel. OICD is obtaining research results under its scientific exchange program. The West German Institute for Virology has already been contacted and ARS and APHIS personnel will be obtaining research information there.

International Research

OICD administers a variety of international research projects. We work closely with scientists from the Land Grant institutions and USDA researchers.

Over 200 international research projects are now being conducted using U.S.-owned foreign currencies. This overseas research provides access to materials and processes not available here and to unique agricultural ecosystems. This is of particular value in the search for predators to use in biological pest control. At the same time, this research is quite economical. For example, supporting science projects in the United States averages at least $90,000 a year per scientist. But USDA can fund a 5-year research project in India for the rupee equivalent of only $125,000. In addition, this research allows scientists to conduct studies of foreign animal and plant diseases overseas that otherwise would have to be done in expensive isolation laboratories here at home.

Researchers working under this program in Yugoslavia and Poland have found predators that can be used in biological control of the cereal leef beetle. These insect parasites have been released in the United States and Canada and have reduced the problem to one of minor importance. Without these parasites, chemical control measures could have cost about $100 million in the United States alone.

Tests conducted in India on the fungus causing leaf blight will help U.S. corn breeders develop new varieties less susceptible to that disease. This should prevent or inhibit disease outbreaks similar to one that occurred in 1970.

OICD oversees collaborative research with 11 nations. Here again we have had some promising results. Scientists at the University of Georgia and in West Germany have made a breakthrough in processing systems for fresh pork products. They have demonstrated that hot processing is feasible. This technique would reduce in-plant holding time by as much as 25 hours and increase refrigerated shelf life from 10 to 30 days. Some other advantages are less shrinkage and energy savings during processing.

In a particularly unique project, scientists from Rutgers, the Agricultural Research Service, and Mexico studied traditional Aztec and Mayan agricultural systems to find new ways to control certain soilborne fungal diseases. They found microorganisms that control these fungi as effectively as standard chemical treatments. Among the important diseases that can be controlled is "damping-off," which causes major losses of young plants in the United States both in the field and under greenhouse conditions.

OICD helps to manage a number of bilateral research programs that are funded by sources outside USDA but are of considerable value to U.S. agriculture. Under one of several bilateral research programs, U.S. and Israeli scientists designed a new packaging method that could triple the shelf life of fruit and keep it as fresh as the day it was picked. The process uses a high density polyethylene film wrap, developed in Israel under a project sponsored by the Binational Agricultural Research and Development Fund (BARD). Lemons sealed in the wrap will keep for nine months, while unwrapped ones decay in only three months. Sealed grapefruit last up to six months --three times their normal shelf life. U.S. businesses in Florida and Arizona are testing the wrap in citrus shipments to Japan. The new wrap has the potential to revolutionize the citrus trade and boost U.S. exports.

Researchers from the Tennessee Valley Authority are working with Israeli scientists on diverting the heat generated by power plants to heat flower and vegetable greenhouses. Another BARD project has paired USDA and Washington State University scientists with Israeli researchers in efforts to develop a vaccine for bovine anaplasmosis. This malaria-like disease causes about $100 million in losses for the livestock industry in the United States alone.

Another research program in which Israel takes part should have both scientific benefits and contribute to a more peaceful and cooperative atmosphere in the Middle East. Under the Trinational Agricultural Research Program, U.S., Israeli, and Egyptian scientists will be working together on intensified field crop production, medicinal uses of desert flora, and solar heating of soils for disease, pest, and weed control. The program is funded by AID and seeks to foster cooperation between Egypt and Israel and, simultaneously, promote agricultural research of value to all three countries involved.

Liaison with International Organizations

OICD also seeks to advance the interests of U.S. agriculture through our work with international organizations such as the Food and Agriculture Organization of the United Nations (FAO), World Food Council, International Fund for Agricultural Development (IFAD), Organization for Economic Cooperation and Development (OECD), and the international development banks.

We helped bring agricultural trade issues to the fore in recent meetings of OECD and we have worked with the State Department to contain the growth of the budgets of international organizations. U.S. participation in these organizations gives us a valuable opportunities to present our views on agricultural trade and development. For example, OICD coordinated Secretary Block's participation in this year's ministerial of the World Food Council in New York and his role as chairman of the FAO Conference in Rome.

Both of these meetings helped advance U.S. positions on a variety of international trade and development issues — world food security, EC food policies, food reserves, and plant genetic resources. Secretary Block found both meetings extremely useful for conducting bilateral discussions with his counterparts from other nations.

While U.S. relations with some international organizations have deteriorated recently, they have improved with the Food and Agriculture Organization. In addition to Secretary Block's chairmanship of the FAO conference last November, OICD helped arrange a White House ceremony for World Food Day which commemorates FAO's founding and focuses attention on world hunger. We have also succeeded in placing several senior level U.S. officials at FAO headquarters.

OICD has helped provide USDA technical expertise to international organizations on a reimbursable basis. Many of their assignments are ultimately of value to U.S. agriculture. Projects to combat wheat rust, the Mediterranean fruit fly, and blue tongue are just a few examples.

OICD has consistently worked to present the views of U.S. agriculture in the authorization of projects by the development banks. We are working to minimize funding of projects that create competition for U.S. farmers.

International organizations can successfully remove some of the impediments to freer trade. The Food Standards Program conducted by FAO and the World Health Organization helps make exporting easier for the U.S. food industry. The program seeks to standardize import requirements for prepared food products. U.S. participation in an OECD program on seed certification has spurred a vast increase in our sales of certified seed in international markets.

Conclusion

In its dealings with both developed and developing countries, OICD has become something of an agricultural statesman on behalf of USDA and this country's farmers. Our scientific exchanges, research, and work with international organizations help promote stronger political as well as agricultural ties with our neighbors. Sharing agricultural knowledge not only helps the American farmer, it serves the broader interests of the nation as a whole.

COMMODITY CREDIT CORPORATION

Mr. AMSTUTZ. Mr. Chairman, Everett Rank has a few brief comments for this segment of the hearing.

Senator COCHRAN. Mr. Rank.

Mr. RANK. Thank you, Mr. Chairman.

As my statement has already been introduced into the record, I would just like to highlight a couple of areas.

For fiscal year 1984, net outlays are estimated at $6.7 billion, a dramatic reduction from the $18.9 billion spent in fiscal year 1983. The CCC cash flow position has improved significantly since last year at this time, with current borrowing authority available standing at about $9 billion. However, with less massive land retirement programs and more normal growing conditions, production will increase in 1984. Fiscal year 1985 net outlays are expected to reach approximately $10.8 billion.

The salaries and expenses account is used to fund support for ASCS and CCC programs. The fiscal year 1985 budget request of $390.6 million includes $50.9 million in direct appropriations and $339.7 million in transfers from the Commodity Credit Corporation. This is a decrease of almost $20 million for this account compared to fiscal year 1984, due mostly to less PIK and other commodity program-related workload anticipated for fiscal year 1985.

Thank you, Mr. Chairman.

[CLERK'S NOTE.—The prepared statement of Everett Rank appears on pp. 539–44.]

Senator COCHRAN. Are there any others who have statements?

Mr. Tracy, did you have a statement?

Mr. TRACY. No, sir.

PUBLIC LAW 480 SUPPLEMENTAL

Senator COCHRAN. Do we have any statement about Public Law 480?

Mr. AMSTUTZ. Mr. Smith can give you a summary.

Senator COCHRAN. I just have some questions about Public Law 480. We have an urgent supplemental that we are presenting to the Senate sometime, maybe tomorrow, which was reported out by the committee. We hope we can get the Senate to act on it, and then get a conference to act quickly on it. This will provide funds for alleviating to some extent the problems in Africa. The administration's initial request was $90 million, but we understand that you are willing to go along at higher levels. The House put in $150 million, and I think we are going along with the same figure here.

PURCHASE OF COMMODITIES FOR DONATION

The practical aspect of that is that under this program, these commodities, including corn, rice, and other things, are purchased here and shipped to the donee countries. Someone asked me a question yesterday I was not able to answer—I think it was Dale Bumpers. We were discussing the fact that I was going to be bringing this supplemental to the floor. He asked me, "Who purchases commodities from AID?" I could not answer that. I thought I would take the opportunity to ask you that today.

Mr. AMSTUTZ. Let me have Mr. Smith respond.

Senator COCHRAN. OK.

Mr. SMITH. Well, basically the donations are supplied to voluntary agencies which are responsible for the distribution of these commodities overseas. These voluntary agencies make requests through the embassies and through AID for the quantities that they think they can move, based on a lot of conditions. As you know, there are many places that have limitations in terms of interest.

Senator COCHRAN. How do we buy the commodity and get it to them?

Mr. SMITH. The request then comes to the Commodity Credit Corporation and these are bought through the Commodity Credit Corporation.

Senator COCHRAN. How does the Commodity Credit Corporation buy it, from whom and at what price? Is this bid or do you have a contract? How is this done? What is issued?

Mr. RANK. We get a request for specified commodities for delivery to a certain location and the dollars available, and it is put up for bid on open tender.

Senator COCHRAN. You put it up for bid then?

Mr. SMITH. So much at such a price for delivery at such and such a place.

Mr. AMSTUTZ. The word "tender" is a euphemism for bid process.

PUBLIC LAW 480 LEVELS

Senator COCHRAN. In connection with the PIK program, last year you mentioned the fact that it did take a lot of acres out of production. Did that have any impact on the Public Law 480 program at all?

Mr. AMSTUTZ. Perhaps indirectly, Mr. Chairman; that, coupled with the drought. The Public Law 480 program is denominated in dollars, not in tons, so to the extent that prices are higher one year than they were the previous year, there is a smaller amount of tonnage which can be purchased for each dollar spent. So indirectly perhaps, yes, but I mention the drought as well, sir.

DONATION OF CCC DAIRY PRODUCTS

Senator COCHRAN. There was a new authority given in 1982 to the Commodity Credit Corporation to donate dairy products for the assistance of needy persons overseas. Has there been any actual donation of dairy products under this authority?

Mr. AMSTUTZ. Yes, sir.

Senator COCHRAN. Can you tell me about that, the extent to which it has been done?

Mr. SMITH. I will have to submit for the record the exact quantities, but we have had some civilian programs in Mexico and in Peru. We have donated these commodities, they have been distributed through organizations which get them to the needy people. We have been assured that these were additional quantities to be used, and that they didn't dismantle the normal commercial market. I would be glad to provide for the record the exact amounts.

Senator COCHRAN. That would be helpful.

[The information follows:]

SECTION 416 DAIRY DONATIONS EXPORTS
ACTION SUMMARY BY COUNTRY, SPONSOR, AND COMMODITY
FOR FISCAL YEAR 1983 ENDING SEPTEMBER 30
(pounds in 1,000s - actual metric tons in parenthesis)

NO.	DESTINATION	SPONSOR	NFDM	BUTTER OIL	BUTTER	CHEESE	TOTAL QUANTITY
I. AGREEMENTS SIGNED							
3001	Haiti	Ridge Christian Homes	120.0 (54.4)	--- (---)	--- (---)	--- (---)	120.0 (54.4)
3002-4002	Chile	CARE	925.9 (420.0)	1,190.5 (540.0)	--- (---)	--- (---)	2,116.4 (960.0)
3003-4003	Chile	CRS	1,946.7 (883.0)	1,241.2 (563.0)	--- (---)	--- (---)	3,187.9 (1,446.0)
3004-4004	Chile	SAWS	738.6 (335.0)	443.1 (201.0)	--- (---)	--- (---)	1,181.7 (536.0)
3005-4005	Mexico	MCCA	48.1 (21.8)	--- (---)	--- (---)	24.0 (10.9)	72.1 (32.7)
3006-4006	Mexico	Friends of Little Brothers	960.1 (435.5)	--- (---)	--- (---)	240.1 (108.9)	1,200.2 (544.4)
3007-4007	Mexico	Government of Mexico	44,092.4 (20,000.0)	14,241.9 (6,460.0)	--- (---)	8,818.5 (4,000.0)	67,152.8 (30,460.0)
3008	Peru	GOP Ministry of Health	38,638.2 (17,526.0)	3,862.5 (1,752.0)	--- (---)	--- (---)	42,500.7 (19,278.0)
3009	Poland 1/	World Vision Relief Organization	1,322.7 (600.0)	1,851.9 (840.0)	1,322.7 (600.0)	1,322.7 (600.0)	5,820.0 (2,640.0)
3010	Bolivia	Food for the Hungry, Inc.	120.0 (54.4)	37.5 (17.0)	--- (---)	--- (---)	157.5 (71.4)
3011	Indonesia	GOI	6,613.8 (3,000.0)	--- (---)	--- (---)	--- (---)	6,613.8 (3,000.0)
3012	Colombia	GOC	2,094.4 (950.0)	--- (---)	--- (---)	--- (---)	2,094.4 (950.0)
3013	Chile	GOC	14,771.0 (6,700.0)	738.5 (335.0)	--- (---)	--- (---)	15,509.5 (7,035.0)
3014	Philippines	Children's Aid International	250.0 (113.4)	--- (---)	--- (---)	--- (---)	250.0 (113.4)
3015	Brazil	Sovereign Military Order of Malta (American Associations)	120.0 (54.4)	--- (---)	--- (---)	--- (---)	120.0 (54.4)
3016-4016	Pakistan	CRS	240.0 (108.8)	240.0 (108.8)	--- (---)	--- (---)	480.0 (217.6)
3017-4017	India	CRS	8,977.2 (4,072.0)	--- (---)	--- (---)	--- (---)	8,977.2 (4,072.0)
3018-4018	Panama	GOP	3,225.3 (1,463.0)	401.2 (182.0)	--- (---)	--- (---)	3,626.5 (1,645.0)
3019-4019	Guatemala	CRS	22,046.2 (10,000.0)	--- ---	--- ---	--- ---	22,046.2 (10,000.0)
3020-4020	Mexico	CRS	7,425.0 (3,369.0)	2,475.0 (1,123.0)	--- (---)	495.0 (225.0)	10,395.0 (4,717.0)
4021	Poland	World Vision Relief Organization	793.6 (360.0)	1,389.0 (630.0)	793.8 (360.0)	793.8 (360.0)	3,770.2 (1,710.0)
	SUBTOTAL		155,469.2 (70,520.7)	28,112.3 (12,751.8)	2,116.5 (960.0)	11,694.1 (5,304.8)	197,392.1 (89,537.3)

EXPORT CREDIT PROGRAMS

Senator COCHRAN. The administration has made a great deal of progress, I think, in providing assistance for the sale of U.S. agricultural commodities abroad and the financing of these transactions. That has actually helped us make sales that might otherwise have been impossible to arrange. The expansion of our export activity, of course, was a very high priority of the administration. There is some concern we had about the level of export guarantees in the proposed budget. I think some of that is being alleviated now in the conversations that are ongoing and that relate to the bills before the Senate right now to increase those credit levels.

I am going to offer, for instance, an amendment to the Public Law 480 urgent supplemental that will allow up to $5 billion in export credit guarantees for fiscal year 1985. That, as I understand it, will be supported by the administration. It is an additional $900 million over and above the $1.1 billion add-on which is in the bill before the Senate and that will be supported by the administration. Is that correct?

Mr. AMSTUTZ. Yes, sir.

Senator COCHRAN. We are having trouble getting to the bill right now. We are in the process of coming up with a cloture petition to file to bring the discussion to an end. That may be done today, but an effort is being made in this legislation to try to save some of the projected costs of the foreign program for the next year without really impeding the ability of foreigners to operate profitably, and that is quite a challenge; we hope it works out.

Mr. AMSTUTZ. Mr. Chairman, may I just make a comment relative to credit?

Senator COCHRAN. Sure.

Mr. AMSTUTZ. Assuming that the Congress adopts the amendment you plan to introduce and assuming that the current bill passes, I think the record will show that in fiscal years 1983, 1984, and 1985 the amount of moneys used to provide credit assistance, credit guarantees for U.S. farm product exports will equal the entire amount used for these purposes since these programs began in 1956. In dollar terms, sir, as you indicated before, a great effort is being made in this particular period of time to provide this needed assistance.

Senator COCHRAN. Well, I think it is absolutely imperative with the current value of the dollar in comparison with the foreign currencies and the worldwide economic problems that exist. I think it is essential for us to try to work in a cooperative way with the private sector to move these commodities in the international marketplace, and I am glad to see the administration going as far as it is and agreeing to allocate these resources for that purpose. I think it will turn out to be very beneficial to agriculture generally and will help agriculture get back on its feet economically. The program is an example, I think, of an innovative technique that has been successful.

There was a depletion, however, of guaranteed credit funds last year, and therefore there was a limit to the kind of program you could have.

I understand there is a backlog of requests for these funds. Is that true? The demand is about twice the actual level of funding that is available; is that correct?

Mr. AMSTUTZ. There is a great demand for GSM-102 credit guarantees and the blended credit program, which is a mixture of GSM-5 direct credits and GSM-102 credit guarantees. The great demand for credit we have is for the guarantees, those amounts that you just addressed in your previous questions and comments.

PURPOSE OF EXPORT CREDIT GUARANTEES

Senator COCHRAN. And why is that? As a practical matter, and as we look at the way that these transactions are actually negotiated and financed, what good does it do for the Government to provide these guaranteed loan funds? Tell me how as a practical matter they are used.

Mr. AMSTUTZ. Well, you were also, Mr. Chairman, referring to this in a previous comment. There is in the world today a group of third world countries with serious balance of payment problems. The specific foreign exchange they are generating through their regular business exporting activities is less than required to service their current debt, and therefore, by definition, they cannot finance the import of commodities given that financial picture. Regular commercial credit is frequently not available to these countries, so the commercial lenders will look for some help, and that help is guarantees by the U.S. Government to stand behind the loans. That is one category.

A particularly significant problem, however, when we speak of the demand for credit guarantees exceeding the available funding, is principally the balance-of-payments question. In other cases, where the creditworthiness of the buying country is better and where commercial lenders are indeed willing to extend credit, we still use our credit programs. We do so because we think they are a valuable market development tool; they stimulate consumption and utilization of our products. We can, using our export credit programs, provide up to 3 years' financing, whereas regular commercial terms would, of course, be considerably shorter. That gives us some leverage, if you will, in stimulating the utilization of American commodities.

CREDIT COMPETITION

Senator COCHRAN. I understand that this is not unique in the world today, that in Canada there are special financial arrangements that are available for purchasers of Canadian wheat and other commodities, and in Thailand in the case of exporting of rice we find special concessions on credit being extended. Is this becoming more and more common in the world today? As competition gets keener, are you seeing these packages put together by countries which are trying to sell and compete in the international marketplace?

Mr. AMSTUTZ. Yes; I think that is a very accurate assessment. These concessions are being made because the competition is indeed keen. The world is producing more of these commodities every year. Markets at best are stable, and so we have a greater supply in the face of, at best, stable demand. I say "at best" because of the buying power problem around the world that has a tendency to diminish demand. So we and other countries—Canada, Australia, and even some countries in rather dire financial straits like Brazil—provide export financing as a means of stimulating export of commodities. It is indeed a result of the competitiveness, because of large supplies vis-a-vis demand and the diminished buying power, and I cannot emphasize too much how key that diminished buying power around the world is to this generally poor market climate that we have. As we can get economic recovery around the world, and particularly in the third world where the best potential for demand growth is, then agricultural exports for America will be in far better shape.

Senator COCHRAN. How do you compare what we are doing in this area with our competitors around the world?

Mr. AMSTUTZ. It is awfully hard to keep accurate track of what our competitors do, Mr. Chairman, because a lot of these are rather closed door negotiations, but I think unequivocally we are by far providing more funds in this area than anyone.

NEGOTIATION OF EXPORT CREDIT ARRANGEMENTS

Senator COCHRAN. Who does the negotiating for us? We don't have a wheat board as they do in Australia or Brazil or Argentina, the Government does not really engage in these negotiations and transactions head to head. We are dependent on the private sector for taking the lead in that. Isn't that the way it works?

Mr. AMSTUTZ. For doing the business, indeed it is the private sector. Government is clearly involved in determining the credit guarantees, which is done on a bilateral government-to-government basis, and then the private sector enters not only to sell the American farm products, but to provide the credit as well. Private lenders provide the credit.

CREDIT GUARANTEES FOR KOREA

Senator COCHRAN. I recall last year it was quite difficult to get the Cabinet interagency group to go along with approving credit guarantees to Korea to buy a substantial amount of cotton that had been negotiated for sale there. You have this interagency group that has to approve all that; is that right?

Mr. AMSTUTZ. Yes.

Senator COCHRAN. Do we find that they end up frustrating the efforts of our agriculture group to make these sales? I remember it was very difficult to get approval. Why is there such opposition sometimes to the approval of these transactions and to the approval of providing credit?

Mr. AMSTUTZ. That is a good question, Mr. Chairman, and I will attempt to address it. First let me say this. Korea is the fourth largest importer of American farm products, and is consequently very important to us. Moreover, Korea represents the epitome of a good growth potential market for us.

Korea has made outstanding economic progress in recent years. I believe the statistics would show that their rate of growth and their ability to control inflation this past year were even better than ours, Mr. Chairman, and I think those facts perhaps have some bearing on the question you raised.

When we are in a position with so many demands for credit guarantees and a limited amount of guarantees to make, there is, I think, a tendency for many to say, well, where is it needed the most? Those who don't need it the most, because their economic situation is such that they can get by without the assistance, will just have to forgo it. We would counter that assertion with a reminder of the importance of the market development role of our credit programs. We would say further that, especially in the case of a country like Korea that has made such great progress, credit assistance can be particularly important as they reach the level of economic strength that Korea has. Especially when it is such a very good ally of ours—and there is a bond of friendship perhaps like none other—our objective must be to help them sustain that economic growth so that they truly are standing on their own two feet.

CHINESE COTTON EXPORTS

Senator COCHRAN. There is some concern because of the good cotton production in China recently that they are out in the marketplace trying to find buyers, and that they might end up undercutting the position of our Korean market. That concern has been expressed to me, and I presume it is of vital concern. Do you have any knowledge about that?

Mr. AMSTUTZ. Well, I am surely aware of the state of concern about the cotton situation in China. It is, of course, our hope, Mr. Chairman, that Korea will continue to see fit to look to the United States for its cotton.

Senator COCHRAN. Yes; it is a very important market as you say.

AID-GRADUATE COUNTRY TRAINING PROGRAM

I am delighted to have the report, Dr. Wallace, about the status of our program that was approved last year by the Appropriations Committee to provide scholarships for students from some of these developing countries. I am pleased to see that we moved quickly to implement the program in this fiscal year. I worry that the budget does not contain a request for funding for a program for next year, and I notice that the $1.5 million that was appropriated is being spread over a 2½-year period. Is that accurate? Are we spreading those funds so thin that we might harm the program and not get it off to a good start. What is your reaction?

Dr. WALLACE. We think we are off to a good start, Mr. Chairman. The funds available in fiscal year 1984 will permit the training of approximately 108 students.

Senator COCHRAN. For 1 year or over a 3-year period?

Dr. WALLACE. It would be over a 3-year period of time.

Senator **Cochran**. I see.

Dr. **Wallace**. There would be 12 in the graduate program, 24 in the nondegree program, and about 72 in the short courses. It does give us an opportunity to do a pilot study.

Senator **Cochran**. Well, I appreciate the good work that you have done in providing the leadership to get this program implemented. I hope that it does prove to be successful. I am convinced that it is a good thing to do, and I am happy that we were able to get the cooperation from the House committee. I hope we can follow the program closely and do everything we can to make sure that it is a success. It is gratifying that some of those beneficiary countries, those who were participating in the AID program, have been selected for participation.

I think this is going to pay off for us in the long run. I don't look at it as an aid program for somebody else. I think it is an aid program for U.S. interests. I am convinced of that, and I hope the results will be consistent with that optimism that I have for the program.

BUDGET INCREASE FOR FAS

I am glad to see also that in the Foreign Agricultural Service we have a request for an increase in funding. I know we were under tight budget restraints, and it is hard to justify an increase when you are trying to cut back and work toward a more appropriate balance between outlays and revenues, but here again, this is a program that I think has proven to be worth its investment in terms of increased sales abroad and better market opportunities for U.S. farmers. At this point, when we still need to see an improved economic situation around the world to help increase the likelihood of purchases of U.S. commodities, we need to work even harder. I think the budget request for the Foreign Agricultural Service reflects this kind of concern and attitude.

AGRICULTURAL TRADE OFFICE IN ALGERIA

I notice in your statement that you mention that a new marketing office is being established in Algeria. What is the likely contribution that that office will be able to make to our program, and do you think that is going to be a wise allocation of resources?

Mr. **Smith**. Well, Mr. Chairman, we are very optimistic about Algeria as a potential market. It is quite interesting that the Algerians themselves have indicated a major interest in expanding their relationships with us across the board, but particularly in the agricultural area and in the trade field. They have a huge trade surplus because of the energy they ship to the United States. They have become a major importer of agricultural products of well over $2 billion a year, most of which comes out of some of our competitors right now.

We think the potential is great with this willingness to work with us, not only in trade, but also in other areas. There is no better way to take advantage of this potential than to have somebody right on the ground floor working with them. We have full support from our embassy on this venture. So I am very optimistic that there is a real potential in

Algeria for us. Algeria has a population of about 21 million people and is growing.

EXPORTS TO NIGERIA

Senator COCHRAN. I know at one time we were looking to Nigeria, too, to be a potentially good market for the future, I think in rice and other commodities. However, they have fallen on hard times lately and I suppose that is bad news for our farmers. Can you tell us what the situation is there, and is there any likelihood that that will improve?

Mr. AMSTUTZ. It is our earnest hope that their financial situation will improve. We have earmarked, Mr. Chairman, some of our currently available credit funds for use by the government of Nigeria. There are some criteria that they must fulfill relating to the balance of payment problems I alluded to before. These criteria include the government of Nigeria meeting a set of IMF criteria, and it is our fond hope that that will happen and that we will be able to release these credit guarantees.

TOP IMPORTERS OF U.S. AGRICULTURAL PRODUCTS

Senator COCHRAN. We were, of course, talking about good customers. The European Community, I guess, is one of the best. You mentioned Korea being No. 4. Where is the European Community in the lineup?

Mr. AMSTUTZ. Collectively, No. 1.

Senator COCHRAN. And Japan is No. 2 now?

Mr. AMSTUTZ. Yes.

TRADE RELATIONS WITH THE EEC

Senator COCHRAN. The concern there is in Europe that we are going to get into a significant trade war. I keep hearing that, and I keep wondering not only what inventories we are losing, but the fact that they are threatening to impose taxes on soybean oil, and corn gluten feed. They want to do something about that. We are running a risk, I guess, of getting really involved in a serious confrontation with the European Community. What is your reaction to all of this and what should we be doing in terms of activity here in Congress? Maybe not do anything? Can we stay out of it? We are probably already in the middle of it.

Mr. AMSTUTZ. I had an opportunity, Mr. Chairman, to appear before another committee some months ago immediately after returning from Europe. I said to them that it was awfully helpful to me while in Europe to have in my hand a draft of the Senate resolution on the subject of the European Community; it made what I said credible. So it is helpful that the Congress be with the administration, a voice of one, in continuing to carry this message. The simple message is that this is the time to be taking down trade barriers, not erecting them.

We are aware that they have serious financial problems with their common agricultural policy. We are aware that these must be addressed. All we ask is that they don't ask American farmers to bear the cost of financial reform within the European Community. That is a very reasonable request, Mr. Chairman. We point out to them that in this country last year via our PIK program we adjusted production to better meet demand, and at no time do we ask other countries to bear the burden of that expense. We continue to carry this message to them loudly and clearly.

I might add, Mr. Chairman, that the member states of the European Community have made no move to act on the proposals by the Commission even though those proposals have been before them for a number of months now. The principal reason they have not is the voice of objection from the United States, and I believe we must continue this. While the President of France is here next week, he will be on the Secretary of Agriculture's farm, and I am quite confident that the Secretary on that occasion will once again enunciate our view.

Furthermore, we have said to them that if they take unilateral action and ask American farmers to bear some of the cost of their common agricultural policy reform, the United States would have no alternative but to respond in kind. We have said to them, and they to us, that none of us wants a trade war; there would be no winners.

Senator COCHRAN. Well, thank you very much for that excellent explanation of policy description, I think it is the right policy, and I hope that it continues to work to improve the chances of our selling large quantities of agricultural commodities in Europe and elsewhere in the world.

EXPORT OF U.S. FOREST PRODUCTS

I am told that one of our products that is growing in popularity and in terms of new market opportunities is forest products. When I was in Hong Kong a couple years ago, I visited with cooperators there who were trying to help expand market opportunities. I am glad to hear that, of course, since the parochial interests in the Southeast are producing a lot of forest products. That is good news for landowners down in my part of the country.

Do we have a growing cooperator program, Mr. Smith, in this forest products area, and are some of our marketing offices being utilized to help increase our exports in this area?

Mr. SMITH. Yes, Mr. Chairman. We have been working very closely with the industry, and we have a formal cooperator relationship with the association that represents the forest products industry. We have specific market development programs with them in various countries to more effectively let customers know the products we have and the good quality of our products. We have been working with them in the credit area, in the trade policy area, particularly with Japan. Under Secretary Amstutz has taken the major initiative there to get some tariffs reduced. We think that if we can get some tariffs reduced, there is a great potential to ship more to Japan. We have been working with China, which also has a good potential.

Within FAS, we have even organized and created a division along the same lines as all of our commodity divisions to work specifically on forest products. We look at this as a major opportunity for us. I think we should never forget the statement that you made that there are a lot of small farm owners around the country that are foresters who benefit very much from these exports. If I remember, it is a $4 million export business right now, and the potential is tremendous.

TRADE WITH CHINA

Senator Cochran. The Chinese market also offers continued opportunities for growth in my judgment. I had a chance to visit China and was impressed with the fact that they were buying substantial quantities of wheat. My impression from discussions with leaders there was that their demand was going to continue to increase, and they were going to continue to buy large quantities of wheat. Is their purchasing this year above last year's, or what is the outlook for continued opportunities for trade with China?

Mr. Amstutz. Mr. Chairman, you have really posed several questions. Let me answer the last one first. The opportunity for continued growth in trade with China, I think, is excellent. It is excellent for really two very basic reasons—first, the huge population, and second, our belief that the economy of China will continue to grow and generate more buying power. Simultaneous with this, the Chinese are absolutely dedicated to increasing their own output, their own production.

Senator Cochran. But not in every commodity area though.

Mr. Amstutz. In many, and let me give you a wheat example. In less than 10 years' time the increase in wheat production in China equals our entire U.S. domestic consumption of wheat; so they have enjoyed a certain amount of success. You gave an example of cotton, in which there also has been a large increase in output.

Senator Cochran. I know about that. How much wheat do they buy or have they bought this year compared to last year?

Mr. Amstutz. We have an agreement with the Chinese that they should buy and ship a minimum of 6 million tons each year. There was an interruption on the part of the Chinese last year to wheat purchases, for two reasons. First, they were upset with this country because of a dispute on textiles; second, which is a very important point, they were able to buy elsewhere; and they also had good production of their own, and so they could afford to lay back, so to speak. We did our best to convince them that our grains agreement must be fulfilled, that there was no linkage between that agreement and any differences of opinion they might have with the United States in other areas.

Senator Cochran. I think the main disagreement was in the cotton area, and they cut off purchase of cotton. They were buying from the Sudan, Mexico, Pakistan, and other cotton producing nations.

What I would like for you to do is just to bring me up to date with the figures for the record. How about submitting that? I would like to have a look at the figures on wheat purchases for the last 3 years and what the projections are for this year and next year, too.

I know that they are not buying any cotton from us, but it would be interesting to see what they are doing in soybeans as well. Please provide figures particularly for wheat and soybeans.

Just my personal opinion is that I don't think we have much future in terms of cotton sales to China. I think they are showing us that they can produce that in great abundance and very efficiently. My question when I was there was if they were going to concentrate on doing those things that they did the best, and if they were going to rely on foreign suppliers in other commodity areas. Wheat was going to be one where they were going to rely on the foreign suppliers; cotton they were going to grow their own. They were going to learn how to grow cotton better and better, and they are proving that they can. What they can't grow, they are buying from other Third World countries. I think they continue to see themselves as a leader of the Third World, and they want to develop friendships and trade relations with those other countries and not be dependent on the United States for any one thing in any large measure. I think it is an interesting opportunity we have.

I would like to have those figures so we could have a complete record.

Mr. AMSTUTZ. I will supply those.

[The information follows:]

U.S. EXPORTS OF SELECTED COMMODITIES TO CHINA

The information and data on U.S. exports of wheat and soybeans to China follows:

U.S. EXPORTS OF WHEAT AND SOYBEANS TO CHINA, 1981–84[1]

[In thousand metric tons]

Product	1981	1982	1983	Forecast 1984
Wheat	7,422	6,826	2,458	7,500
Soybeans	441	401		

[1] Wheat data are on an agreement year (January/December); soybean data are on a marketing year (September/August), beginning in September 1980 (1980/81).

Calendar year 1984 U.S. wheat exports to China are forecast at 7.5 million tons. This is a preliminary, unpublished estimate that assumes China will fulfill its commitment under the U.S.-Chinese Long-Term Grain Agreement for both calendar years 1983 and 1984. It assumes that in calendar year 1984, China will purchase as wheat the remaining 2.2 million tons of grain called for under the agreement in calendar year 1983 and that around 700,000 tons of the 6 million tons of grain purchases called for in calendar year 1984 will be corn.

U.S. wheat exports to China in 1985 will depend primarily on Chinese grain production in 1984 and trade levels specified in a new U.S.-China grain agreement, if one is reached. The present agreement expires in December 1984 and specifies a minimum Chinese import level of U.S. wheat and corn of at least 6 million tons, of which 15 to 20 percent should be corn.

No U.S. soybean exports to China are presently expected in either 1984 or 1985.

CONCLUDING REMARKS

Senator COCHRAN. I wish I could go on and talk about these and other issues further into the afternoon, but I do have another obligation. I want to thank you all for your cooperation with the committee and for being here and helping us understand these issues better. Your cooperation with the committee has been excellent and I appreciate that.

SUBMITTED QUESTIONS

We will have some questions that we would like to submit to you in writing, and when we do that, we hope you will be able to respond to them promptly.

Mr. AMSTUTZ. Yes, Mr. Chairman.

Senator COCHRAN. With that, we thank you.

Mr. AMSTUTZ. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Foreign Agricultural Service

Questions Submitted by Senator Cochran

OUTLOOK OF EXPORTS

Question: We have seen a drop in the value of our exports the past couple of years. I was pleased to note that you expect some improvement in the value of exports this year. Can you be more specific in the outlook for our export dollar value?

Answer: The latest USDA export estimate for fiscal 1984--released February 21, 1984--shows U.S. agricultural exports forecast at $37.5 billion, 8 percent above fiscal 1983's $34.8 billion. Export unit values are expected to average more than a tenth higher, due primarily to last year's U.S. drought and acreage reduction programs. Soybean export prices are estimated to be up almost one-third, corn prices up one-fifth, and wheat prices up slightly. U.S. export volume in fiscal 1984 is forecast to decline 3 percent to 140 million tons, as lower shipments of soybeans and products more than offset increased coarse grains, wheat and cotton exports. The worsening drought in South Africa, however, has improved U.S. coarse grain export prospects since February. The value of U.S. agricultural exports from October - January of fiscal 1984 was up sharply--15 percent--from the same period a year earlier, led by higher values for corn, cotton, wheat and soybeans.

Question: How long do you anticipate that it will take to rebuild the U.S. reputation as a reliable supplier of agricultural exports?

Answer: To a certain extent, we probably will never enjoy the same reputation we once enjoyed. The 1973 embargoes on soybeans and wheat, and the 1980 embargo against the Soviets are carved in stone, so to speak. The 1973 embargo resulted in other nations becoming soybean exporters, primarily Brazil, and it is highly unlikely that these nations will ever withdraw from the world market. The Soviets are just as unlikely, in our lifetime, to depend upon us to the extent they once did. Obviously, Foreign Agricultural Service tries to minimize the effects of the embargoes. The new U.S.-USSR grain agreement, which increased Soviet minimum purchases by 50 percent to 9 million tons, is an example of FAS's efforts. The fact that the United States has the physical ability to produce huge quantities of food and is the world's most efficient agricultural producer are important mitigating factors.

VALUE-ADDED EXPORTS

Question: What kind of competition do we have for export markets for value-added products?

Answer: The market for high value and value-added products is about $100 billion and we supply about $14 billion. The EC markets $47 billion worth of these products with about $20 billion going outside of the EC. Although the EC is our largest competitor, supplying about half of the world market, we consider the domestic EC market as a potentially large market for U.S. high value and value-added products.

Question: How much do you spend on the development of markets for high value products?

Answer: Generally half of our fiscal year 1984 market development budget of $31 million is dedicated to high value and value-added product promotion. Half of the requested increase is also intended for value-added and high value products.

Question: When will you start the pilot program which is designed to promote exports of these types of products? Please provide for the record the details of this pilot program.

Answer: The value-added pilot program was started on January 24. We developed guidelines for a high value and value-added Export Incentive Program to be administered by the four state/regional organizations Eastern United States Agricultural and Food Export Council, Southern United States Trade Association, Mid-America International Agri-Trade Council, and Western United States Agricultural Trade Association. We also have developed a slide show describing the various FAS services geared toward high value and value-added exporters. In April, we will initiate a pilot program to improve and expand the capabilities we currently have with our Trade Opportunity Referral System. The improved system will use an electronic network to enable U.S. exporters to reach out to prospective importers.

FOREIGN MARKET DEVELOPMENT

Question: I understand that you have requested an increase of $4.3 million or a 10 percent increase over fiscal year 1984 for growth in foreign market development activities. How will this increase be used? Will you be targeting any specific area?

Answer: The requested increase of $5,126,000 is proposed for a number of new initiatives that we are planning to undertake if the funding is made available. Of the total, $817,000 is intended for funding for the new Agricultural Trade Office in Algeria and for increased operating expenses in our eleven other trade offices. $250,000 is requested to initiate a new pilot program with four regional state groups to promote high value and value-added products. The balance, $4,059,000 is proposed to fund 305 new activities in 83 countries under our cooperator and export incentive programs. In terms of areas targeted, we plan to use the largest share of the increase in the Middle East and Africa. The percentage allocations by geographic area are: Middle East and Africa, 27 percent; Western and Northern Europe, 14 percent; South East Asia, 14 percent; Latin America and Caribbean, 13 percent; Asia, 12 percent; Japan, 8 percent; and all others areas, 12 percent.

Question: How much of market development expenditures are focused on grain and feeds?

Answer: We plan to allocate the largest share, approximately 33 percent, of the proposed increase to the food and feed grain complex with 14 percent directed specifically at feed grains. Approximately equal shares of 15 to 16 percent are to be allocated to the livestock, oilseeds, and horticultural/tropical products sectors. The forest products sector would receive 9 percent of the proposed increase.

Question: I have been told that forest products is the fastest growing market development commodity. Is that true? Please elaborate.

Answer: If funding is approved, forest products would receive about 9 percent of the requested budget increase and that would represent an increase to forest products of about 43 percent above anticipated fiscal year 1984 expenditures. Relative to expected expenditures, the proposed increase for forest products is proportionately larger than that proposed for three quarters of the other commodity groups.

Question: What are some of the other fast growing commodities?

Answer: Other commodities indicating fast growth are: leather, hides and skins; flour; mohair; protein food supplements; dairy livestock; potatoes; hay and sunflower seeds.

Question: Are funds, other than Federal, available for market development activities?

Answer: Yes, there are. Last year total resources directed toward expanding overseas markets for U.S. agricultural products amounted to approximately $88 million. Of that total nearly $24 million came from Federal funds. The balance came from U.S. producers and processors and, foreign "third party" entities that cooperate with our trade associations to promote our agricultural products.

Question: To what extent is FAS directing resources to developing countries and newly emerging markets?

Answer: We have been shifting larger and larger shares of our market development budget to newly emerging markets in certain under developed areas. The following table shows decreasing proportions of the budget going to the developed markets, Japan and Western Europe, and increasing shares of the budget going to the emerging market areas.

ESTIMATED FY 1985 MARKET DEVELOPMENT BUDGET
BY GEOGRAPHIC AREA

	TOTAL FY 82 PERCENT	TOTAL FY 84 PERCENT	EXPANSION: FY 85 PERCENT	TOTAL FY 85 PERCENT
W. & N. Europe	32	26	14	25
E. Europe, USSR & Miscl.	12	4	4	4
Middle East & Africa	6	14	27	16
Asia	12	12	12	12
Japan	22	13	8	12
S. E. Asia	7	12	14	12
L. America & Caribbean	9	12	13	12
EIP's	–	7	8	7
TOTAL	100	100	100	100

Question: Last year, you provided the subcommittee a table showing the specific countries and commodities where this money would be spent. Would you please furnish us an update of that material. Could you also please indicate the amount and from where other funding may come?

Answer: The following table is an up-date of that table and also includes the anticipated amount of additional funding to be provided by the cooperators for each of the proposed activities.

FY 1985 Budget Request
Foreign Market Development
Country/Commodity Export Expansion Packages

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Tobacco					
Worldwide (inc. 22 countries)	$14,000	$8,331	$22,331	$1,043	47
Cotton					
Algeria	2,000	3,000	5,000	240	48
Morocco	1,000	4,000	5,000	250	50
Ghana	15,000	15,000	30,000	1,500	50
Guinea	15,000	15,000	30,000	1,500	50
Somalia	15,000	15,000	30,000	1,500	50
Bangladesh	9,500	4,500	14,000	1,407	101
Indonesia	10,000	9,800	19,800	970	49
Japan	34,500	13,206	21,833	3,081	141
Korea	9,500	667	10,167	579	57
Malaysia	11,000	9,800	20,800	968	47
Philippines	10,000	9,800	19,800	850	43
Singapore	37,000	10,800	47,800	2,516	53
Thailand	12,000	9,800	21,800	1,104	51
Tunisia	2,000	3,000	5,000	261	52
France	7,000	16,670	23,670	1,633	69
Italy	7,000	16,330	23,330	1,773	76
Spain	7,000	16,000	23,000	1,817	79
United Kingdom	7,000	17,000	24,000	1,776	74
West Germany	7,000	17,000	24,000	1,824	76
Total Cotton	218,500	206,373	399,000	25,549	64
Total Tobacco, Cotton, & Seeds	232,500	214,704	421,331	26,592	63
Eggs & Products					
Algeria	6,000	0	6,000	978	163
Morocco	6,000	0	6,000	978	163
Saudi Arabia	46,000	0	46,000	6,716	146
Tunisia	6,000	0	6,000	978	163
Hong Kong	9,000	0	9,000	1,125	125
Japan	11,000	0	11,000	2,211	201
Singapore	7,000	0	7,000	1,890	270
Switzerland	15,000	0	15,000	1,665	111
West Germany	55,898	8,102	64,000	10,752	168
Total Eggs & Products	161,898	8,102	170,000	27,293	161

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Rendered Products					
India	$5,600	$3,719	$9,319	$498	53
Indonesia	12,000	7,969	19,969	170	9
Pakistan	5,600	3,719	9,319	496	53
Total Renderers	23,200	15,407	38,607	1,164	30
Leather					
South Africa	5,000	0	0	0	0
Egypt	25,000	25,000	50,000	750	15
Total Leather	30,000	20,000	50,000	750	15
Breeding Horses					
France	4,750	2,250	7,000	1,088	155
Italy	1,250	0	0	0	0
West Germany	1,250	0	0	0	0
Japan	5,000*	0	0	0	0
Venezuela	3,000	4,500	7,500	176	23
Total Breeding Horses	15,250	6,750	14,500	1,264	87
Dairy Cattle					
People's Republic of China	81,000	79,000	160,000	5,250	33
Algeria	8,572	10,000	18,572	1,365	74
Egypt	8,572	10,000	18,572	1,365	74
Iraq	8,572	10,000	18,572	1,365	74
Tunisia	2,000	0	0	0	0
Turkey	8,572	10,000	18,572	1,365	74
Dominican Republic	2,000	0	0	0	0
Brazil	6,000	0	0	0	0
Colombia	6,000	6,000	12,000	1,236	103
Venezuela	23,506	86,494	110,000	8,462	77
Total Dairy Cattle	154,794	201,494	356,288	20,408	57
Mohair					
France	3,000	3,000	6,000	100	17
East Germany	8,000	8,000	16,000	160	10
Japan	16,000	16,000	32,000	651	20
Total Mohair	27,000	27,000	54,000	911	17
Mink					
Japan	33,997	225,000	275,000	1,375	5
Semen					
Australia	6,000	7,500	13,500	297	22.00
Japan	8,500	9,000	17,500	612	34.97
Total Semen	14,500	16,500	31,000	909	29.32
Meat					
Bahrain	4,000	1,882	5,882	1,115	190
Kuwait	4,000	1,882	5,882	1,115	190
Saudi Arabia	17,000	7,999	24,999	4,543	182
United Arab Emirates	10,000	4,706	14,706	2,389	162

* Research Activity - NO BCR

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Trinidad-Tobago	$3,000	$1,412	$4,412	$256	58
Barbados	2,000	941	2,941	171	58
Bahamas	2,000	941	2,941	171	58
Dominican Republic	3,000	1,412	4,412	256	58
Haiti	2,000	941	2,941	171	58
Jamaica	3,000	1,412	4,412	256	58
Mexico	52,926	27,953	80,879	8,315	103
Panama	20,000	9,410	29,410	12,278	417
Venezuela	10,000	4,705	14,705	1,250	85
Hong Kong	5,000	2,353	7,353	5,647	768
Singapore	5,000	2,353	7,353	684	93
Indonesia	500	235	735	78	106
Japan	46,000	21,645	67,645	24,834	367
Korea	1,500	705	2,205	234	106
Malaysia	1,000	471	1,471	156	106
Philippines	500	235	735	78	106
Thailand	500	235	735	78	106
Taiwan	1,000	471	1,471	156	106
Belgium	2,500	1,176	3,676	548	149
France	10,000	4,705	14,705	1,088	74
Luxembourg	1,500	706	2,206	329	149
Netherlands	4,000	1,882	5,882	659	112
United Kingdom	13,500	6,353	19,853	4,822	243
Total Meat	225,426	109,121	334,547	71,677	4,269
Total Dairy, Livestock and Poultry	686,065	427,880	1,323,942	125,751	95
Grapefruit Juice					
Japan	22,092	27,908	50,000	1,397	28
Apples					
Hong Kong	45,000	45,000	90,000	2,543	28
Taiwan	50,000	60,000	110,000	3,111	28
United Kingdom	16,392	93,608	110,000	2,097	19
Total Apples	111,392	198,608	310,000	7,751	25
Raisins					
Bahrain	20,000	16,300	36,300	547	15
Philippines	50,000	50,000	100,000	1,323	13
Saudi Arabia	20,000	16,300	36,300	547	15
United Arab Emirates	10,000	8,067	8,067	274	15
Total Raisins	100,000	90,667	190,667	2,691	14
Cling Peaches					
Singapore	25,000	25,000	50,000	237	5
Taiwan	35,000	35,000	70,000	291	4
Total Cling Peaches	60,000	60,000	120,000	528	4
Potatoes					
Hong Kong	12,684	14,016	26,700	547	20
Japan	15,000	43,000	58,000	5,653	97
Singapore	17,500	9,200	26,700	593	22
Total Potatoes	45,184	66,216	111,400	6,793	60

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Papayas					
Japan	$5,000	$15,000	$20,000	$900	45
Fresh Produce					
Hong Kong	30,000	30,000	60,000	900	15
Almonds					
Japan	100,000	100,000	200,000	3,200	16
Prunes					
Japan	90,000	128,333	218,333	3,500	16
Fresh Citrus					
Australia	19,200	27,450	46,650	2,407	52
Singapore	38,500	107,800	146,300	2,461	26
South Korea	35,000	51,667	86,667	1,287	15
Saudi Arabia	18,803	181,197	200,000	3,000	15
Total Fresh Citrus	111,503	368,114	479,617	9,155	19
Cranberries					
Taiwan	10,000	40,000	50,000	739	15
Total Horticultural Products	685,171	1,124,846	1,810,017	37,554	21
Soy Complex					
Indonesia	47,500	24,250	71,750	2,752	38
South Korea	90,000	94,500	184,500	11,004	60
Malaysia	18,500	20,450	38,950	2,103	54
Philippines	27,500	35,708	63,208	3,598	57
Thailand	6,000	12,450	18,450	1,467	80
Taiwan	20,000	27,833	47,833	2,750	57
Colombia	22,500	23,625	46,125	2,083	45
Ecuador	22,500	23,625	46,125	2,082	45
Venezuela	52,500	55,125	107,625	5,892	55
Peru	22,500	23,625	46,125	2,083	45
Portugal	10,000	10,500	20,500	690	34
Spain	10,000	10,500	20,500	691	34
Nigeria	25,000	26,250	51,250	3,666	72
Pakistan	15,000	31,125	46,125	12,540	273
Syria	25,000	36,500	61,500	3,666	60
Tunisia	18,000	16,850	34,850	1,375	39
USSR	25,000	26,250	51,250	2,475	48
Total Soybeans	457,500	499,166	956,666	60,917	64
Peanuts					
Belgium	12,500	9,375	21,875	1,050	48
France	12,500	9,375	21,875	1,049	48
Netherlands	12,500	9,375	21,875	1,050	48
Saudi Arabia	31,374	56,126	87,500	1,509	17
Spain	25,000	18,750	43,750	2,378	54

* Research Activity - NO BCR

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
United Kingdom	$12,500	$9,375	$21,875	$1,049	48
Total Peanuts	106,374	112,376	218,750	8,085	37
Sunflowerseed					
Algeria	5,000	3,333	8,333	1,831	220
Belgium	917*	0	0	0	0
West Germany	916*	0	0	0	0
Italy	917*	0	0	0	0
Netherlands	916*	0	0	0	0
Portugal	917*	0	0	0	0
Czechoslovakia	1,166*	0	0	0	0
East Germany	1,166*	0	0	0	0
Hungary	1,167*	0	0	0	0
Poland	1,167*	0	0	0	0
Romania	1,167*	0	0	0	0
Japan	37,000	43,000	80,000	12,568	157
Taiwan	10,000	10,000	20,000	3,800	190
Other Worldwide	18,000	20,000	38,000	1,399	37
Total Sunflowerseed	80,416	76,333	146,333	19,598	134
Cottonseed					
Japan	10,000	10,000	20,000	1,160	58
Total Oilseeds & Products	654,290	697,875	1,341,749	89,760	67
Rice					
Bahrain	2,000	709	2,709	266	98
Cameroon	10,000	4,130	14,130	850	60
Gabon	10,000	4,130	14,130	850	60
Ivory Coast	10,000	4,130	14,130	850	60
Iraq	23,000	13,916	19,666	1,275	65
Jordan	2,000	709	2,709	266	98
Kuwait	2,000	709	2,709	266	98
Lebanon	2,000	709	2,709	266	98
Liberia	10,000	4,130	14,130	850	60
Nigeria	10,000	4,130	14,130	850	60
Saudi Arabia	2,000	709	2,709	266	98
Syria	2,000	709	2,709	266	98
United Arab Emirates	2,000	709	2,709	266	98
Yemen	2,000	709	2,709	266	98
Total Rice	89,000	40,238	111,988	7,653	68
Coarse Grains					
People's Republic of China	118,250	24,578	142,828	48,000	336
Chile	69,071	19,129	88,200	7,456	85
Greece	10,000	760	10,760	4,526	421
Italy	30,000	5,000	35,000	9,662	276
Japan	20,000	17,565	37,565	26,035	530
South Korea	30,000	17,000	47,000	18,104	385

* Research Activity - NO BCR

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Mexico	$25,000	$18,333	$43,333	$19,600	452
Saudi Arabia	90,000	23,333	113,333	26,660	235
Spain	40,000	0	40,000	7,260	182
Taiwan	5,000	4,333	9,333	2,600	279
USSR	19,000	17,833	36,833	6,519	177
Venezuela	110,000	50,899	160,899	20,469	127
Total Feed Grains	566,321	198,763	765,084	196,891	257
Peas & Lentils					
Cameroon	2,500*	0	0	0	0
Kenya	2,500*	0	0	0	0
South Africa	2,500*	0	0	0	0
Total Dry Peas	7,500	0	0	0	0
Hay					
Bahrain	2,000*	0	0	0	0
Bahamas	2,000*	0	0	0	0
Colombia	2,000*	0	0	0	0
Israel	2,000*	0	0	0	0
Kuwait	2,000*	0	0	0	0
Mexico	2,000*	0	0	0	0
Total Hay	12,000	0	0	0	0
Protein Grains					
Chile	5,833	10,837	16,670	945	57
Costa Rica	5,833	5,597	11,430	410	36
Dominican Republic	5,833	10,837	16,670	1,462	88
Jamaica	5,833	5,597	11,430	1,040	91
Nigeria	20,000	13,100	33,100	1,899	57
Total Protein Grains	43,332	45,968	89,300	5,756	64
Wheat					
Algeria	26,825	3,219	30,044	10,800	359
Egypt	16,000	7,085	23,085	4,943	214
Iraq	39,000	17,387	56,387	9,573	170
Jordan	30,000	15,002	45,002	268	6
Morocco	26,825	3,219	30,044	9,192	306
Saudi Arabia	57,000	27,863	84,863	12,100	143
Tunisia	26,825	3,689	30,514	5,899	193
Turkey	41,000	21,865	62,865	10,007	159
Yemen	9,000	3,977	12,977	950	73
Sri Lanka	25,000	3,750	10,000	2,490	249
People's Republic of China	45,000	15,000	60,000	8,480	141
Indonesia	40,000	19,333	29,333	10,496	358
Thailand	35,000	12,832	47,832	8,637	181
Mexico	6,500	542	2,167	277	128
Venezuela	6,500	542	2,167	277	128
Czechoslovakia	11,000	2,250	5,000	660	132
USSR	78,000	24,092	102,092	21,058	206
Yugoslavia	11,000	2,250	5,000	891	178
Ghana	5,048	1,244	2,506	546	218

* Research Activity - NO BCR

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase (000)	Benefit Cost Ratio
Nigeria	$40,048	$21,601	$61,649	$9,638	156
Zaire	5,048	1,244	2,506	408	163
Zambia	8,110	1,151	9,261	2,871	310
Zimbabwe	2,524	1,705	2,336	957	410
Total Wheat	591,253	210,842	717,630	131,418	183
Wheat Products					
Cameroon	3,000*	0	0	0	0
Madagascar	3,000*	0	0	0	0
Mali	3,000*	0	0	0	0
Mauritius	3,000*	0	0	0	0
Niger	3,000*	0	0	0	0
Somalia	3,000*	0	0	0	0
Upper Volta	3,000*	0	0	0	0
Ivory Coast	3,000*	0	0	0	0
Senegal	3,000*	0	0	0	0
Sudan	3,000*	0	0	0	0
Zaire	3,000*	0	0	0	0
Egypt	15,000	15,000	30,000	3,300	110
Total Wheat	48,000	15,000	30,000	3,300	110
Dry Beans					
Bahrain	3,000*	0	0	0	0
Egypt	3,000*	0	0	0	0
Nigeria	5,000*	0	0	0	0
Total Dry Beans	11,000	0	0	0	0
Popcorn					
West Germany	38,445	83,555	122,000	1,263	10
Total Grain & Feed	1,406,851	594,366	1,836,002	346,281	189
Forest Products					
Belgium	10,000	10,000	20,000	3,240	162
Germany	10,000	10,000	20,000	3,240	162
Netherlands	10,000	10,000	20,000	3,240	162
United Kingdom	10,000	10,000	20,000	3,240	162
Total	40,000	40,000	80,000	12,960	162
Hardwood					
People's Republic of China	2,500	2,500	5,000	585	117
France	15,000	15,000	30,000	3,360	112
Italy	15,000	15,000	30,000	3,360	112
Japan	2,500	2,500	5,000	585	117
South Korea	2,500	2,500	5,000	585	117
Taiwan	2,500	2,500	5,000	585	117
Total Hardwood	40,000	40,000	80,000	9,060	113.25
Softwood (NFPA)					
European Economic Community	50,000	50,000	100,000	9,300	93
Japan	40,000	40,000	80,000	8,960	112

* Research Activity - NO BCR

Country/Commodity	FAS Cost	Cooperator Cost	FY 85-89 Average FAS & Coop. Cost	FY 85-90 Average Sales Increase	Benefit Cost Ratio
Middle East/North Africa	20,000	20,000	40,000	5,600	140
Total Softwood	110,000	110,000	220,000	23,860	108
Plywood					
Chile	7,500	7,500	15,000	1,500	100
Colombia	7,500	7,500	15,000	1,500	100
Mexico	7,500	7,500	15,000	1,500	100
Venezuela	7,500	7,500	15,000	1,500	100
Middle East/North Africa	30,000	30,000	60,000	8,100	135
Western Europe/France	48,631	51,369	100,000	8,700	87
Total Plywood	108,631	111,369	220,800	22,800	103
Treated Wood					
Middle East/North Africa	50,000	50,000	100,000	17,300	173
Total Forest Products	348,631	351,369	700,000	85,980	123
TOTAL ALL COOPERATORS	4,013,508	3,411,040	7,433,041	711,918	96

POULTRY EXPORTS

Question: I recall last year at our hearing, we had some discussion of the problems U.S. producers of poultry products were having with the Middle East and European markets. What effect has the serious outbreak of avian influenza in our poultry industry had on exports?

Answer: Twenty countries have imposed restrictions on imports of poultry meat and eggs from the United States as a result of the avian influenza outbreak. The restrictions range from a total embargo to a partial embargo covering only products produced in the quarantine area. We estimate that the trade loss as a result of the avian influenza outbreak will be about two to three million dollars, or about one half of one percent of our trade in calendar 1983 in poultry and eggs.

Question: Had that situation with the Middle East and European countries improved prior to the flu outbreak? Had we gained back any of the market?

Answer: No, unfortunately I have to say that in fact matters have gotten worse. Subsidized exporters, mainly Brazil and France, have captured even greater shares of the Middle Eastern market. We estimate that in 1983 Brazil and the European Community held close to 98 percent of the Middle Eastern market for whole chickens.

Question: What is the outlook?

Answer: It does not appear too favorable. Our domestic prices for frozen chicken right now are about $300 per metric ton higher than the delivered prices of our competition. Brazil is shipping subsidized whole birds to Egypt at landed prices in the $900-$1,050 per ton range. France is doing the same. Therefore, with U.S. prices at the equivalent of $1,350 per ton on the domestic market, we are not competitive. We now also have information that Brazil is threatening to take over our number one chicken parts market in the world, Japan, again with subsidized prices.

U. S. - JAPAN TRADE

Question: I'm aware that talks between the U.S. and Japan have been going on. Is any progress being made in your efforts to eliminate Japanese quotas of beef and citrus?

Answer: Our ultimate objective is the complete elimination of Japan's beef and citrus import quotas. Owing to stiff opposition from Japan's politically powerful farmers, the Japanese Government has refused to agree to a schedule for elimination of the quotas. However, we expect that our current talks with the Japanese will result in an agreement to expand the quotas. This will provide increased marketing opportunities to U.S. beef and citrus exporters.

EUROPEAN COMMUNITY (EC)

Question: You indicate in your statement that you are continuing negotiations and pressure on the European Community (EC) to reform its Common Agricultural Policy (the "CAP") so that their prices are in line with the world market situation.

Is any progress being made? What is your current assessment of US-EC agricultural trade relations?

Answer: I feel that the Community is finally aware that they have serious problems in their agricultural sector which must be resolved. I believe they are working toward correcting those problems while recognizing that they should seek to avoid creating tension with the United States and other trade partners. This, I believe, is an improvement over the situation a year ago when the EC was reluctant to even admit that their open-ended support programs were a source of problems in the world market.

Nevertheless, the EC is in the process of making some tough decisions on reform of their agricultural programs. There is still the possibility that they will attempt to shift some of the adjustment burden to trading partners. We will be following these developments closely and, when appropriate, take whatever actions necessary to protect our trade interests.

Question: What kind of support are you getting from other countries?

Answer: A number of countries have made their views on the EC CAP reform proposals known to the Community. Canada, Australia and Argentina have all made formal diplomatic representations on the matter, protesting especially those proposals that would affect imports. In addition, the ASEAN countries--Thailand, the Philippines, Indonesia, Malaysia, and Singapore--have been vocal in their opposition to the fats and oils tax proposal. At an FAO meeting in Rome last October, those countries, with support from Canada, Australia, New Zealand, and various African LDCs, expressed their anti-oils tax views strongly. Other nations such as Brazil, Mexico, India, Hungary, and Yugoslavia criticized EC protectionism in farm trade in general. Still, it has been up to the U.S. to lead the opposition to the proposals.

Question: The series of proposals now under review by the Community to reform the EC's Common Agricultural Policy (the "CAP") include important changes such as a quota and super-levy on dairy production and other restraints on cereal production. Is it likely that these proposals will be enacted?

Answer: On March 13, the EC Council of Agriculture Ministers came to rough agreement on a package of reforms in the milk sector. The package includes production quotas and a super-levy on excess production. The adoption of the system as it now stands is not at all certain. The Irish are demanding a significantly larger quota than was allotted to them under the plan, and Italy and Luxembourg are also requesting a bigger share. The issue was to be decided at the recent Summit meeting, but no agreement was reached. It does appear, however, that the outlines of the system have been accepted by all member states.

The EC is not considering any very serious proposals to restrain production in the grains sector. Commission proposals call only for a continuation of the guarantee threshold system and for a "speeding-up of the narrowing of the gap between EC prices and those applied by its main competitors." Since the Community is not committing itself to any deadline to accomplish the price alignment goal, the proposal is of questionable value. A similar policy was adopted in 1981 and has had little noticable effect.

Question: What is the status of the proposal for an oils tax? Has it been shelved? That is an important issue to the U.S., since we export some $4 billion of soybeans to the Community each year.

Answer: The EC Commission proposal for a tax on fats and oils, other than butter, has not officially been withdrawn from consideration by the Council. It is still spoken of by the Commission and by certain EC member states, especially France. However, indications from member state officials are that the tax has little chance of adoption in the foreseeable future. The proposal has met with opposition from the United Kingdom, West Germany, the Netherlands and Denmark, in part because of pressure from the United States. The Administration is watching the situation closely.

Question: One of the big issues at the moment is the proposal to place a tax on U.S. exports of corn gluten feed to the Community. This product represents about $700 million in trade for the U.S. annually. What is the status of the corn gluten feed issue?

Answer: The EC Commission has requested a mandate from the Council to open GATT Article XXVIII negotiations. On March 13, EC

Council of Foreign Ministers agreed unanimously to assign the Committee of Permanent Representatives made up of the Ambassadors from the respective member states posted in Brussels to develop a position paper for use in going to GATT under Article 28 on corn gluten feed and other corn by-products.

As far as we know, the paper has not yet been presented to the Council of Ministers. However, the Council of Ministers agreed that further action on corn gluten feed would be postponed until the complete CAP reform package is worked out and agreed to by the member states. Current estimates are that the earliest this could happen would be at the June EC Summit.

Question: Will the EC issue a mandate to the Commission to renegotiate with the U.S. under GATT rule 28 on this issue. If so what concessions might the EC offer the U.S.?

Answer: We do not know at this time if the mandate will be issued. Since there have been no negotiations yet on corn gluten feed, it is too early to tell what concessions the EC may offer.

Question: What is the timetable for the negotiations?

Answer: Should the EC decide to pursue a modification of the concession on corn gluten feed under Article XXVIII, the normal procedure would be for it to notify its intention six months in advance and to begin compensation negotiations three months in advance. The question of how much compensation is strictly a matter for negotiation. If there is no agreement, the EC may modify its concessions anyway, and the United States may retaliate with thirty days advance notice.

Question: What is the current U.S. position on this issue?

Answer: We have told the EC repeatedly that the corn gluten feed concession is very important to the U.S. farm sector. We do not believe that action to restrict imports of non-grain feed ingredients will improve EC utilization of domestic grain and we are deeply disturbed that the EC is considering impairing this concession for purely political reasons.

We continue to watch the situation closely. The EC is aware of our deep concern about this matter and all other matters which have potential for fostering further protectionism in world trade in agriculture.

CHINA

Question: As you know, I had the privilege of visiting China a little over a year ago, and I noticed from your statement that China is top priority.

Will you please bring me up-to-date on FAS activities in China, particularly in the area of market development?

Answer: Our market development work has progressed very well. This year eleven cooperators are active in China and just under $1.7 million has been budgeted for their work there. Three cooperators, the American Soybean Association, the U.S. Feed Grains Council and the U.S. Wheat Associates maintain offices and full time representatives in Beijing.

Question: Do you plan to increase your activities there?

Answer: We do have plans to increase market development activities in China in fiscal year 1985. Six cooperators plan to initiate or intensify activities there and have proposed eleven new activities for next year. Those activities are budgeted at just over $350,000 which would bring our total program in China to $2 million.

Questions: Has any progress been made in educating the Chinese on the uses of soybean products? I know the American Soybean Association was working very hard in their efforts associated with using soybean products to supplement the human diet in China.

Answer: Progress has been made in educating the Chinese on the uses of soybean products to supplement the human diet. Two teams of Chinese were brought to the United States in 1983 for the purpose of educating them to the uses of edible soy protein. The American Soybean Association has employed a part-time human nutritionist to work in Beijing. The activities planned for 1984 include the visit of a U.S. soy protein technician to China, and a Chinese soy protein team to the United States.

AGRICULTURAL TRADE OFFICE

Question: You indicated in your statement that you are opening an agricultural trade office in Algeria. How soon will this opening take place?

Answer: The trade office is open now and will be fully operational by June 1984.

Question: What will be the estimated start-up and annual cost of this trade office?

Answer: The start-up costs for the fiscal year 1984 are estimated at approximately $275,000. The cost of fiscal year 1985 is estimated at approximately $200,000.

Question: What do you hope to accomplish by placing a trade office in Algeria?

Answer: Algeria with a population of 21 million and a trade surplus of nearly $3 billion needs to import some 60 percent of its food supplies. In 1983 U.S. farm exports to Algeria amounted to $203 million--approximately 12 percent of their total imports. Roughly half of Algeria's imports are value-added products which have been traditionally supplied by Continental Europe. The primary reason for the ATO is to take advantage of this large market potential.

LANDSAT

Question: The budget for Fiscal Year 1985 discontinues the purchase of LANDSAT remote sensing data from the National Oceanic and Atmospheric Administration (NOAA). This data was used for crop assessment, was it not?

Answer: Yes, the budgets for Fiscal Year 1983 and 1984 contained money for the purchase of LANDSAT data for crop condition assessment.

Question: What impact will the discontinuance of the LANDSAT purchase have on the quality of crop assessments?

Answer: The discontinuance of the use of LANDSAT data will reduce the quality of crop condition assessments somewhat, since LANDSAT imagery has the highest resolution data available to us at this time.

Question: What will you use in place of LANDSAT data?

Answer: FAS will continue to use the Meteorological Satellite (NOAA series) data as a source of remotely sensed satellite data for the foreseeable future. METSAT data has an advantage in that it is available within a few days, compared to a few weeks for LANDSAT data.

Question: What will be the cost of that?

Answer: The METSAT data that will be used to cover the areas of interest will cost approximately $100,000 for FY 1985.

P.L. 480-EMERGENCY FOOD AID TO AFRICA

Question: You have requested a $90 million supplemental for title II of the P.L. 480 program to meet the emergency food needs for Africa. From what I have heard, the situation in Africa is critical, and amounts anywhere from $150-350 million have been proposed. Will you please explain why the request is for only $90 million?

Answer: There is indeed a critical food emergency in Africa and an urgent need for this supplemental appropriation to be enacted quickly. The Administration based its request for $90 million on a review of the food situation in each of the sub-Saharan African states, with consideration given to domestic production and import availabilities, ability to absorb and distribute food aid commodities and related factors. During this review information received from AID Missions in Africa was given careful consideration, as well as information gathered by Washington staff during trips to Africa, and reports issued by the Department's Economic Research Service and the Food and Agriculture Organization of the United Nations. The Administration believes that $90 million is an appropriate amount to respond to these needs during the remainder of this fiscal year. A level of supplemental funding much higher than $90 million will prove difficult to obligate and ship prior to the end of the year.

Question: Will you be able to provide additional aid to Africa in fiscal year 1985 with the present budget request? Or can we expect an amended request at some point in the future?

Answer: When the P.L. 480 budget is developed, we provide for unallocated reserves of commodities which will enable us to respond to emergency food aid situations during the course of the programing year. In the President's fiscal year 1985 budget request we have included reserves of $105 million for the Title I/III and $95 million for the Title II programs. Together, these reserves will provide for nearly one million metric tons of commodities for emergency needs, which is clearly an adequate amount with which to begin the fiscal year. An amended budget is therefore not anticipated. However, if during the course of fiscal year 1985 these reserves were depleted and serious food needs were identified, the Administration would consider submitting a supplemental request much as it did this year.

ASSISTANCE TO CENTRAL AMERICA

Question: An additional $25 million for the title I and II program for assistance to Central America has been requested. Is there any urgency associated with this supplemental request?

Answer: Our fiscal year 1984 supplemental request of $25 million for Title I/III programing to Central America is based on our estimate of the additional food import needs for these countries this year. In order for us to program these commodities in an orderly manner before the end of the fiscal year, the supplemental request should be enacted by mid-May. However, earlier enactment would provide increased flexibility in our ability to schedule commodity shipments in a manner best suited to accommodate the importing capabilities of the recipient countries.

Question: I am told we also have an amended budget request of 1985 of $36 million for Central America. How was the dollar amount for the Central American package derived.

Answer: The P.L. 480 Central American supplemental and budget amendment were based on our estimate of the additional food import needs of these countries over and above the existing fiscal year 1984 allocations. The 1984 allocations were repeated as proposed allocations in the fiscal year 1985 budget which was submitted to Congress last January. Therefore, the 1985 budget amendment adds to the existing 1984 allocation base in the same manner as the proposed 1984 supplemental does.

In developing these additional amounts, we reviewed information submitted by the AID Missions and from other sources on estimated consumption, domestic food production and stocks, if any, and projected commercial imports. The foreign exchange position of the countries was also a critical factor in developing these requests.

CCC FUNDS

Question: Will you please explain why the receipts, prior year balances and CCC funds are estimated to be much lower ($154 million) in fiscal year 1985 than fiscal year 1984?

Answer: We have lowered our receipt estimate substantially in fiscal year 1985 based on our experience during the last four years when program receipts have fallen below budget estimates. The Title I/III program is partially financed by two categories of receipts; shortfalls have occurred in both of these categories.

The first category, long-term credit receipts, are repayments from recipient countries on prior year Title I dollar credit agreements. Given the serious foreign exchange problems so many developing countries are experiencing, it has been necessary to reschedule Title I debt repayment along with other official debt owed the United States. Because these reschedulings entail postponing repayment in the near term, Title I/III long-term credit receipts have fallen accordingly. In developing our fiscal year 1985 budget estimates we have tried to factor in possible reschedulings in order to avoid further shortfalls.

The second category of receipts is local currency sales proceeds, which is the sale by the Commodity Credit Corporation to other U.S. Government agencies of P.L. 480 excess foreign currencies received from local currency agreements signed prior to 1971. Because these excess currencies are rapidly being depleted, we have lowered our estimate of this category of receipts in 1985. These local currency sales proceeds have fallen from $170 million in fiscal year 1980 to $53 million last year.

CCC LANGUAGE

Question: You have again requested language to authorize a "current indefinite appropriation" for titles I and III. Has your receipt situation become critical in the past 2 or 3 years? Have you encountered a serious cash flow problem at any time during those years?

Answer: We have experienced receipt shortfalls during the last four years, and during that period the size of the shortfall has grown larger each year. When these shortfalls occur, they do in fact cause cash flow problems since over one-half the Title I/III program level is funded by receipts. When receipts are lower than expected, we have to cut back on the level of programing during the year or seek additional funding.

During the last several years we have been able to continue Title I/III programing at the Congressionally approved levels only because of savings achieved through lower per unit commodity and transportation costs. Some of the savings achieved in the Title II program have been transferred to the Title I/III program to help make up for the receipt shortfall. Had these savings not occurred, the Title I/III program would have had to been pared back.

TITLE I RECEIPTS

Question: Is there not some way the Department can better estimate title I receipts so that your chances of facing a shortfall would be limited?

Answer: For fiscal year 1985 we have extensively reviewed the receipt situation and have submitted an estimate reduced from that in fiscal year 1984. The difficulty of accurately estimating receipts must be appreciated however. For the fiscal year 1985 budget we had to make an estimate of receipts in November and December of 1983. Thus, the estimate is made almost one full year prior to the beginning of the fiscal year, and the estimate must anticipate events which will occur during all twelve months of the fiscal year. It is very difficult obviously to try to factor in debt reschedulings, arrearages, sales of excess currencies to other Government agencies, and other variables so far in advance.

We have tried to improve our receipt estimate procedures and have made substantial progress. Nevertheless, the "current indefinite appropriation" would provide an extra measure of flexibility in responding to receipt shortfalls should they occur. We believe it would end our annual cash flow worries with the Title I/III program.

PIK PROGRAM

Question: Did the PIK program have any effect on the P.L. 480 sales? Please explain.

Answer: There was no direct affect from the PIK program on the Public Law 480 program. Any affect would be the indirect one related to prices. Since the Public Law 480 program is denominated in dollars, any price increase affects the tonnage moved under the program. Therefore, any factor either PIK or the drought which affects prices, affects indirectly the Public Law 480 program.

Question: How do you determine what requests will be financed?

Answer: Title I/III funds are allocated to meet a variety of purposes, including political, developmental, and trade objectives. Using a complex set of program criteria the Food Aid Subcommittee of the Development Coordination Committee weighs these objectives on a case-by-case basis for each country situation and decides program dollar and commodity levels. After publication of an initial fiscal year allocation table on October 1, country and commodity allocations are reviewed and updated quarterly.

Question: Who makes the funding allocations between commodities? Do the cooperators have any role in this procedure?

Answer: The final decisions on Public Law 480 country allocations are made by the responsible interagency group. The overall funding level for the program is part of the federal budget process and the decision is part of the President's budget process. The use of commodities in any program is a function of the needs of the recipients and the availability of various commodities in the United States. Information is solicited from various sources both governmental and non-governmental in determining the appropriate commodity mix for any program.

DAIRY DONATIONS

Question: In 1982, the CCC was authorized to donate dairy products for the assistance of needy persons overseas. Has this authority helped alleviate our dairy surplus problems?

Answer: The authority you refer to is the section 416 overseas donations program. This program has moved surplus dairy products to needy people overseas. For example in fiscal year 1983, when the program began, commitments were made for almost 90,000 tons of dairy products. However, in view of the magnitude of the surplus and its increasing level, this program has not resulted in a decrease in the surplus stocks held by CCC.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CARIBBEAN BASIN INITIATIVE

Question: Please, briefly summarize how the $500,000 for the Caribbean Basin Initiative would be utilized by OICD.

Answer: To assist President Reagan in promoting the economic development of the region, USDA, through OICD, developed a Plan of Action for Agricultural Modernization in the Caribbean Basin. This Plan integrates elements of agricultural trade, aid and investment, and represents a balanced approach to agricultural development.

Work will be completed in the following areas by a number of USDA agencies in order to improve the Caribbean region's agriculture:

(a) Tropical Agriculture Research (ARS)

Funding will permit the hiring of additional ARS scientists to provide a more fully balanced core of scientific expertise at the Tropical Agricultural Research Station (TARS) at Mayaguez, Puerto Rico. This increased capability would enable TARS to conduct more research directly aimed at increasing agricultural productivity in the entire Caribbean Basin.

(b) Promoting Agro-Industries (OICD)

Private sector experts have been named to an Agribusiness Promotion Council to encourage U.S. joint venture investments in the agro-industrial sector of the Caribbean Basin. OICD will provide staff support for the Council's activities. An information center will be established in OICD to provide information on investment climates and specific agribusiness opportunities in the region.

(c) Training

Drawing upon its considerable expertise, USDA will offer training aimed at protecting the U.S. agricultural sector.

-- Plant Protection and Quarantine (APHIS)

Training will be provided for Plant Protection and Quarantine officials on-site and in the United States. The focus of activities will be on commodity preclearance and cooperative plant protection programs; however, a pest reporting system and uniform standards for quarantine and pesticide laws will also be significant elements of this activity.

-- Meat and Poultry Inspection (FSIS)

FSIS will conduct training in one of the Caribbean nations, Puerto Rico or the U.S. Virgin Islands for meat and poultry inspectors and veterinarians.

The focus of activities will be on commodity preclearance and cooperative plant protection programs; however, a pest reporting system and uniform standards for quarantine and pesticide laws will also be significant elements of this activity.

-- Quality Control and Grading of Agricultural Products (AMS)

AMS will conduct on-site training of graders and inspectors in maintaining quality control for various agricultural products covered by existing U.S. standards.

-- Agricultural Research Management (OICD)

A limited training program is proposed to improve the management of agricultural research. The emphasis will be on improving the training capability of Caribbean Basin organizations that have a direct impact on agricultural development and trade. The objective is to more effectively manage agricultural policies, programs, projects, and resources.

(d) Technical Assistance

-- Quality Control and Standards for Agricultural Products (AMS)

AMS will provide on-site technical assistance in establishing quality control procedures in grading and packaging products, and developing standards for products not covered by existing standards.

-- Agricultural and Forestry Economic Information Systems (OICD)

Drawing upon the combined resources of ERS, SRS, AMS, and FS, USDA will provide limited technical assistance to establish simple, efficient procedures for collecting objective and reliable information, improving methods of editing, compiling, analyzing the information, and disseminating it to public officials and private businesses.

(e) CBI Coordination (OICD)

OICD's role in USDA's agricultural development activities in the Caribbean Basin is one of coordination. Responsibilities will include identifying specific technical assistance and training requirements in Caribbean countries and arranging for the delivery of assistance by USDA agencies.

(f) Summary Table of CBI Funding and Staff Years

Agency	Dollars (in thousands)	Staff Years
OICD	210.0	6
ARS	150.0	2
APHIS	50.0	1
FSIS	20.0	-
AMS	47.5	-
ERS	7.5	-
SRS	7.5	-
FS	7.5	-
TOTAL	500.0	9

AID-GRADUATE SCHOLARSHIP PROGRAM

Question: Last year, we provided $1.5 million for scholarships to students from middle income countries which have graduated from AID assistance. The only way we could get the House to go along with us in Conference was to require consultation with the Foreign Agricultural Service, the Department of State, and appropriate Committees of Congress to ensure that you didn't pick countries which would be in direct competition with the United States. Did you consult with all those agencies and committees?

Answer: Yes. The following agencies and committees were consulted about country selection: the Foreign Agricultural Service, USDA; the six State Department country desk officers; the House Subcommittee on Agriculture, Rural Development and Related Agencies; the Senate Subcommittee on Agriculture, Rural Development and Related Agencies; the House Committee on Agriculture; and the Senate Committee on Agriculture, Nutrition and Forestry.

Question: What countries did you choose, and how many scholarships were given to each?

Answer: The six countries chosen are the Ivory Coast, Korea, Turkey, Colombia, Mexico, and Venezuela. Approximately eighteen scholarships will be given to participants from each country.

Question: What is the average amount of assistance given to each student? What does the money go for?

Answer: The average amount of assistance given to each student is $50,300 for an academic program; $8,570 for a nonacademic program, such as short courses, study tours, internships and practical on-the-job training. These funds cover international travel, domestic travel, tuition and fees, per diem, books, and professional society membership.

Question: What are the students studying for?

Answer: Academic students will primarily be working toward a Master of Science degree in an agriculturally related field.

Question: I was disappointed to learn that no funds were requested for the continuation of this program; however, I noticed that you took that $1.5 million and spread it over a 2½ year period. Why did you do that?

Answer: In reviewing and interpreting the results of the House and Senate conference action on the FY 1984 budget, it was the determination of OMB and the Department that the $1.5 million added to the budget represented a one-time only funding of the AID-graduate training program. Because this training program does include advanced academic studies that require more than one year to complete, the $1.5 million will be fully obligated in FY 1984, but outlayed over a 2½ year period.

Question: How many students could be assisted with $1.5 million per year?

Answer: Based on mix of training programs offered to each country, currently anticipated to be 2 degree programs, 4 non-degree study programs, and 12 short courses, approximately 108 students could be assisted with $1.5 million per year. Our experience to date indicates that this mix of training activities is appropriate; however should certain countries, with USDA approval, opt to change the number of each type of program available, the number of students assisted would differ. By dropping academic programs and concentrating solely on short-term programs and courses, more people could be trained. If countries chose to concentrate resources on M.S. degree programs, considerably fewer people would be assisted due to the higher cost of academic programs.

SUMMARY OF SCIENTIFIC EXCHANGES

Question: What other scientific and technical exchanges did OICD sponsor this year?

Answer: The following exhibit is a summary of exchange activities for FY 1983.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT
SCIENTIFIC AND TECHNICAL COOPERATION
SUMMARY OF ACTIVITY, FISCAL YEAR 1983

PROGRAM SUMMARY

		PARTICIPANTS			
COUNTRY	EXCHANGE ACTIVITY	USDA	STATE PRIVATE	FOREIGN	TOTAL
China	Erosion control	2	1	-	3
	Irrigation control	3	-	-	3

Soil management	2	-	-	2
Pomology	1	1	-	2
Natural enemies of gypsy moth	2	-	-	2
Tree improvement	1	1	-	2
Soybean Symposium	8	17	-	25
Exploration for forage	1	1	-	2
Plant materials for conservation	3	-	-	3
Agricultural marketing	3	1	-	4
Food technology	-	3	-	3
Rice production technology	2	1	-	3
Working Group meeting	-	-	7	7
Swine genetic resources	-	-	4	4
Veterinary quarantine	-	-	5	5
Small-size farm water conservation	-	-	3	3
Forest insect management	-	-	4	4
Granary insects	-	-	2	2
Monoclonal antibodies	-	-	4	4
Pre-mixed concentrated feeds	-	-	5	5
Soybean protein processing	-	-	4	4
Vegetable & fruit preservation	-	-	4	4
U.S. poplars	-	-	3	3
Rural electrification	-	-	5	5

	Citrus Germ Plasm Symposium	-	-	8	8
	Integrated management of post-harvest losses	1	2	-	3
	OICD Administrator visit on university linkages	3	-	-	3
	Office of the Secretary visit	1	-	-	1
Australia	Wheat stress physiology	1	-	-	1
	Ammonia flux model for grasslands and cereal crops	1	-	-	1
	Isolation techniques for biological control of grasshoppers	1	-	-	1
	Weed control strategies for Guayule production	-	1	-	1
	Gene transfer in maize	1	-	-	1
	Vector system development for introducing new genes into corn	-	1	-	1
	Toxoplasmosis and other disease in sheep	2	-	-	2
	Program reviews	4	-	-	4
Philippines:					
	Interaction of Newcastle Disease in psittacine birds and domestic poultry	1	1	-	2
	Biological production and quality control Lab. design	1	-	-	1

	Testing procedures for Foot-and-Mouth Disease vaccine and veterinary regulations enforcement	-	-	2	2
	Identification of market development and investment opportunities in aquaculture and fruits/vegetables processing industries	2	3	-	5
	Joint Working Group meeting	7	-	-	7
	Program review and presentation at U.S. Agricultural Attaches Conference	1	-	-	1
Indonesia	Control, prevention and eradication of exotic diseases, particularly Foot-and-Mouth Disease	2	-	-	2
India	Executive Secretary consultations; meeting of Subgroup on Administration, Agricultural Subcommission	1	-	-	1
	Fertilizers and chemicals	-	-	8	8
Japan	Biomass conversion	1	1	-	2
	Integrated pest management	3	-	3	6
	Insect mycology	1	-	-	1
	Snow and avalanche management, landslide prediction and control	2	-	-	2
	UJNR Aquaculture Panel	1	-	-	1

Germany (FRG)	Working Group meeting	6	-	-	6
	Potato improvement	4	1	3	8
	Blue tongue disease	-	-	1	1
	Biomass: forest products	-	-	1	1
France	Leather research	3	-	-	3
	Remote sensing	5	-	3	8
	Air-pollutant injury to crop plants	-	1	-	1
	Cropping systems modeling	2	-	2	4
	Working Group meeting	6	-	-	6
	Multi-lingual firefighting terminology	-	-	1	1
Italy	U.S.-Italy S&T Review Meeting	-	-	1	1
	Working Group Meetings	9	2	-	11
Netherlands	Greenhouse engineering technology	-	2	5	7
	Insect pheromone chemistry	1	-	1	2
Bulgaria	Working Group meeting	4	-	4	8
	Sunflower production	1	1	-	2
	Tobacco breeding	-	-	1	1
	Dairy housing	1	1	-	2
	Sheep production	-	1	-	1
	Poultry production	-	-	2	2

	Tomato and vegetable production	-	-	2	2
	Executive Secretary meeting	1	-	-	1
U.S.S.R	Genetic engineering	-	-	3	3
Romania	Working Group meeting	4	-	-	4
	Sunflower production	1	1	-	2
	Executive Secretary meeting	1	1	-	2
Poland	Remote sensing--forestry	-	-	4	4
Hungary	Rapid quality measurement of foodstuffs (NIR method)	-	-	1	1
	Wine grape and pathology	-	1	-	1
	Sour cherry germ plasm collection	-	1	-	1
	Working Group meeting	-	-	3	3
	Mechanized harvesting of cherries	-	1	-	1
	Insect pheremone research	1	-	-	1
	Integrated pest management	-	-	1	1
	Production of virus-free fruit trees and vines	-	-	1	-
	Small berry breeding	-	-	1	1
	Executive Secretary meeting	1	-	-	1

Argentina	Economic supply function for land for agricultural production	2	-	-	2
	Executive Secretary visit	1	-	-	1
Brazil	Survey of biocontrol agents for the red imported fire ants	2	-	-	2
	Economic supply function for land for agricultural production	2	-	-	2
	Executive Secretary visit	1	-	-	1
Chile	Determination of existence of species of Grapholita other than G. Molesta in Chile	-	1	-	1
	Fruit and vegetable crops	-	-	1	1
	Wildland Shrub Symposium	-	-	1	1
	Joint wildlife management	2	-	-	2
	Executive Secretary visit	1	-	-	1
Costa Rica	Conservation tillage and irrigation water management	3	-	-	3
Mexico	Economic supply function for land for agricultural production	1	-	-	1
	Paratuberculosis in cattle	1	-	-	1
	Physiological effects of tropical environment on growth reproduction and lactation in cattle	-	1	-	1

	Preliminary agricultural sector model for Mexico, complimenting USDA baseline and grains, oilseeds, and livestock models	2	-	-	2
	Preparatory meeting of U.S.-Mexico Mixed Commission	2	-	-	2
Venezuela	Executive Secretary visit	1	-	-	1
	Development of data base and computer models to project supply, demand and trade of agricultural products	1	-	-	1
	Exchange of information on management, operations of the Soil Survey System	2	-	-	2
	Preliminary agricultural sector model for Venezuela--complimenting USDA baseline and grains, oilseeds, and livestock models (U.S.)	4	-	-	4
	Exchange of agricultural drainage technology	2	-	-	2
Nigeria	Food technology (high protein 'Gari')	-	1	1	2
	Sweet potato resistance to insects, disease and tissues	1	-	-	1
	Negotiation of Nigeria MOU	2	-	-	2
	Program review	1	-	-	1
Zimbabwe	Veterinary internship project	-	-	2	2

Agricultural communications strategy course	-	-	1	1
Optimizing the structure of timber in Zimbabwe	-	2	-	2
Soil science study tour	-	-	1	1
Agricultural economics course design	-	-	1	1
Visiting Scholar Program (MSU)	-	-	1	1
Range management & forage production course	-	-	2	2
Small ruminant production techniques course	-	-	1	1
Seed production & certification study tour	-	-	1	1
Irrigation problems and practices course	-	-	1	1
Cotton production study tour	-	-	2	2
Seed analysis staff support	-	1	-	1
Program review of State/OICD activities	1	-	-	1
Sex pheromones in Tsetse flies	1	-	-	1
Tick & tick-borne disease	1	-	-	1
TOTALS: 23 COUNTRIES	154	55	128	337

Question: How does this compare to previous years?

Answer: The objectives of the scientific exchange program have remained consistent. There are three basic objectives:

first, to promote exports of U.S. agricultural commodities through exchange programs which remove technical constraints, such as our work in Japan with salmonella; second, to enhance U.S. diplomatic efforts, especially in Soviet Bloc countries where our programs maintain open lines of communication; and third, to obtain direct technical benefits from increased scientist-to-scientist communication, as in our efforts relating to acid rain, avian influenza, and improved grasses for arid rangeland. The fiscal year 1983 program summary is indicative of the areas our programs historically address.

In numerical terms, the following table compares levels of activity by fiscal year:

Fiscal Year	Number of Countries	Number of Participants
1980	22	413
1981	29	400
1982	24	318
1983	23	337

ACID RAIN RESEARCH

Question: How will you gain access to research results from West Germany concerning acid rain? What kind of exchange will take place?

Answer: Acid rain damage in varying degrees is evident in approximately one-third of West German forests. The area and extent of forest damage in West Germany far exceeds that of the U.S. The objective of this exchange program will be to review recently completed surveys on acid rain damage in order to evaluate the survey methodology and results. This will be accomplished through visits by USDA and university scientists to university and government research facilities as well as field and laboratory sites. U.S. participants will evaluate acid rain damage through first hand observation and analysis of the corrective actions implemented by the West Germans. A reciprocal team will come to the U.S. in the fall and will visit various Forest Service and university locations to learn more about U.S. efforts in combatting acid rain damage.

SUBCOMMITTEE RECESS

Senator COCHRAN. The subcommittee will stand in recess until Tuesday, March 27, when we will hear from representatives of the Farmers Home Administration. That hearing will be held in room SD–124 at 2 p.m.

[Whereupon, at 3:25 p.m., Wednesday, March 21, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, March 27.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 27, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:18 p.m. in room SD-124, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran, Andrews, Abdnor, and Burdick.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

STATEMENTS OF:

- **FRANK W. NAYLOR, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT**
- **CHARLES W. SHUMAN, ADMINISTRATOR, FARMERS HOME ADMINISTRATION**

ACCOMPANIED BY:

- **MICHAEL E. BRUNNER, ASSOCIATE ADMINISTRATOR, FARMERS HOME ADMINISTRATION**
- **NEAL SOX JOHNSON, DEPUTY ADMINISTRATOR, PROGRAM OPERATIONS, FARMERS HOME ADMINISTRATION**
- **CHARLES A. JEWELL, DEPUTY ADMINISTRATOR, FINANCIAL AND ADMINISTRATIVE OPERATIONS**
- **JAMES C. ANDERSON, DIRECTOR, BUDGET DIVISION**
- **JAMES V. LOUGHRAN, ASSISTANT GENERAL COUNSEL, COMMUNITY DEVELOPMENT DIVISION, OFFICE OF THE GENERAL COUNSEL**
- **ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE**

INTRODUCTION OF WITNESSES

Senator COCHRAN. The subcommittee will please come to order.

This afternoon, we are going to hear from the Farmers Home Administration in support of the budget request submitted to the Congress. This Agency comes under the jurisdiction of the Under Secretary for Small Community and Rural Development, Frank Naylor. Accompanying Under Secretary Naylor are Charles Shuman, Administrator of the Farmers Home Administration; Michael Brunner, Associate Administrator; their colleagues from Farmers Home; as well as Bob Sherman, the Deputy Budget Officer at USDA. We welcome all of you to the subcommittee.

The Farmers Home Administration carries out a broad program of loans and grants. Included are programs for farm credit, rural development, and rural housing. These programs are vital to millions of rural Americans who depend upon Farmers Home as a lender of last resort and as a provider of grant funds for basic development projects.

We have a prepared statement from Mr. Shuman, and we will, of course, make it a part of the record in full.

Mr. Secretary, we invite you to make any comments or remarks that you so choose to begin the hearing, but before I recognize you, let me recognize first the distinguished Senator from North Dakota for any statement he may wish to make at this point.

Senator ANDREWS. Thank you, Mr. Chairman. I don't have any initial statement. I am going to wait until we get to questions.

Senator COCHRAN. Mr. Secretary, you may proceed.

REMARKS BY UNDER SECRETARY NAYLOR

Mr. NAYLOR. Mr. Chairman, we are pleased to be with you again this year. It has been a busy year for us. There are some areas of the country which are continuing to experience financial difficulties, especially individual producers. We continue to work very closely with the commercial banking sector and the farm credit system to ensure that adequate credit is available to keep any producer that has any reasonable chance of success in operation. The cooperation of the industry has been excellent.

We have requested adjustments in our programs which we believe recognize the specific areas most in need of lending funds, particularly short-term lending. I will defer to our Administrator, Charles Shuman, for his opening comments and statement concerning the specifics of the programs. Thank you for the opportunity to be with you today. We appreciate it.

Senator COCHRAN. Thank you, Mr. Secretary. Mr. Shuman.

[The statement of Mr. Shuman follows:]

STATEMENT OF CHARLES W. SHUMAN

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you to discuss the budget request of the Farmers Home Administration for the fiscal year 1985. If it is agreeable to you, I will highlight the major points in the Budget and then be prepared to discuss in detail any part of particular interest.

The Agency ended fiscal year 1983 with a portfolio of more than 1.9 million loans, both insured and guaranteed, approaching a total of $62 billion outstanding. The dollar total will rise to more than $68 billion in FY 1985.

This increase will be somewhat smaller than in recent years, reflecting the continuing commitment of this Administration to reducing dependence of the Federal Government on the Nation's credit resources. As we enter the fourth year of the Administration, we believe this course is correct.

Everything has not gone well for all of those who produce our food and fiber, however. For many farmers, the year just ended has been one of stress and uncertainty. In addition to a lingering cost-price squeeze, a devastating drought brought severe hardship to many farmers.

To help alleviate this weather-produced hardship, Secretary Block has designated more than 1,400 counties -- almost half the U.S. total -- as eligible for FmHA emergency loans. Our county offices are in the midst of processing those loans at the present time. Secretary Block also has reduced the interest rate on those loans to 5 percent from 8 percent for the first $100,000 borrowed.

In addition, Farmers Home has worked with its borrowers to help those in difficulty for other reasons. At the direction of the Secretary, we have made a conscious and strenuous effort to stay with the borrowers who have tried to meet their loan commitments -- even when circumstances beyond their control put them at financial risk -- if it appeared they had a chance of eventual success. In many cases, this means carrying them delinquent for the time being.

By using the various servicing actions available, Farmers Home was able to extend special help to 65,000 of its 271,000 farm borrowers. The actual count is 2,925 deferrals of principal and/or interest, 30,804 reschedulings or reamortizations, and 31,293 subordinations of our lien position to other lenders. In each case, it is safe to assume that the borrower could not have continued without the assistance extended.

Those borrowers who did discontinue farming for financial reasons amounted to 7,529, or 2.8 percent of all FmHA farm borrowers. Put another way, more than 97 percent of the farm borrowers who began the year with us were still there when the year ended. The discontinuances included 615 foreclosures by FmHA, 742 foreclosures by other lenders, 1,392 bankruptcies, 1,486 voluntary conveyances, 627 transfers with assumption, and 2,667 outright sales.

The special servicing actions were higher by 40 percent than in the previous year, and the number of those discontinuing farming for financial reasons was more than 8 percent smaller than the year before.

I should mention here a court case, Coleman v. Block, with which you may be familiar. Briefly, FmHA was enjoined by Judge Bruce Van Sickle of Federal district court in Bismarck, North Dakota, from taking certain servicing actions -- including foreclosures -- without prior written notice to the borrower of choices available before the action was undertaken. Written instructions encompassing those requirements were distributed to Agency field offices over my signature last December 20, and we have been operating with them since.

BUDGET HIGHLIGHTS

Mr. Chairman, for the 50th anniversary year of the Farmers Home Administration and its predecessor agencies, we are requesting a total of just under $6.5 billion. Excluding emergency lending, this is about one-fifth less than this year's level and reflects the commitment just mentioned to reduce federal activity in credit markets, while keeping the helping hand extended to those with no other place to turn. It also reflects the commitment of this Administration to the goal of adequate income from farming with a minimum of interference from the Government and all other outside sources. Emergency disaster lending will still be in such sums necessary to meet unexpected situations.

For all farm programs the budget includes just over $3.6 billion. The largest single allocation is $1.9 billion for direct farm operating loans, the greatest need for farmers and ranchers today. Another $150 million for guaranteed operating loans is included.

We have included $650 million for farm ownership loans. We believe this will meet the needs of our farmers for real estate financing.

For the rural housing programs, we have included $2.3 billion. Of this, $1.6 billion is intended for subsidized loans to low-income borrowers to purchase single-family homes. For rental housing, we have included $690 million. Another $116 million will provide financing for 10,500 rental assistance units which will be used for renewal and servicing purposes.

The budget estimate for community programs is $350 million. We are again proposing to terminate the business and industry guaranteed loan program in favor of private investors willing to finance worthwhile projects.

The request for Salaries and Expenses is approximately $3 million less than our current fiscal year 1984 level. The Agency has initiated extensive management improvements to increase operating efficiencies. We anticipate holding staff years to the current level of 12,114. This will allow us to continue providing necessary supervision to our borrowers while protecting the Government's investment in outstanding loan balances.

The budget does not include funds for several of the smaller, limited purpose programs, which have served out their usefulness or can be better handled through other means.

Mr. Chairman, this concludes the general overview. I will now turn to the specifics of our budget request.

FARMER PROGRAMS

It is the historical policy of the United States to foster, encourage and preserve the family farm system of agriculture. The maintenance of the family farm system is essential to the social and economic well-being of the Nation and the competitive production of adequate supplies of food and fiber.

The extension of supervised credit, providing credit along with experienced agricultural management supervision, is essential to the achievement of our policy objectives. Emphasis will be given to assisting beginning farmers, including young farmers, minorities and women in all programs. This will enable them to have access to a lender of last resort to provide supervision in the acquiring of land, machinery and livestock and their operations until such time as they are able to compete in the agricultural community on their own. This access is also critical for established farmers whose equity positions are not acceptable to commercial lenders due to economic instability in the farm sector.

Farmer programs are funded through the Agricultural Credit Insurance Fund. The 1985 budget requests loan authorizations of $3.6 billion.

Farm Operating Loans

Farm operating loans provide for paying costs to reorganize a farming system for more profitable operations, purchase supplies, equipment and livestock, refinance existing indebtedness and other miscellaneous purposes. The direct farm operating loan level is estimated at over $1.9 billion for 1985. This represents a 6 percent increase in program level over 1984 and a 14 percent increase over the amount actually obligated in 1983. The increase is requested to meet the real demand for operating credit which, in prior years, has been met in part through heavy use of the emergency disaster loan program.

Farm operating loans are the primary source of FmHA credit for meeting annual operating expenses. The Agency will continue its policy of providing credit to those most in need. It will assist farmers, on a case-by-case basis, even if they are behind in payments due to circumstances beyond their control, provided they have kept their agreements with FmHA, are using acceptable management practices and have properly maintained secured chattel and real estate. FmHA expects to stay with most of its delinquent borrowers provided that the borrower's farm and home plans show that loans advanced for annual operating purposes can be repaid. Insured loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when they are able to do so.

The budget also retains the limited resource provision for the farm operating loan program in fiscal year 1984 and fiscal year 1985. This enables those insured loan borrowers who are unable to pay interest at a rate equivalent to the Federal cost to borrow money to be given a lower interest rate. The interest rate for guaranteed loans is negotiated by the lender and the borrower.

Farm Real Estate Loans

The requested level for farm real estate loans is $680 million for fiscal year 1985, including $650 million for farm ownership loans. We believe less farm ownership loan funds will be needed than in recent years because of the reduction in loan demand to purchase or expand farms during a period of economic recovery in the agricultural community. During this period the need for production credit should be greater than real estate credit. With the recent declines in farm income, farmers' expectations about earnings growth may have shifted downward. These expectations have reduced the demand for farmland by both farmers and nonfarm investors.

In order to assist the maximum number of borrowers with available insured funds, stronger efforts will be made to broaden the continuous program of private lender participation credit. Our goal is that each State obtain at least one dollar of other lenders' funds for each dollar of farm ownership funds obligated. Participation credit will be used with limited resource loans when the borrower can meet the repayment requirements on the loans.

As in the case of the farm operating loan program, the budget retains the limited resource provision for the farm ownership loan program in fiscal year 1984 and fiscal year 1985.

The budget proposes $26 million for individual soil and water loans and $4 million for Indian tribe land acquisition loans.

Emergency Disaster Loans

The emergency disaster loan program level has historically been subjected to fluctuations due to varying weather conditions. The budget request is for such sums as may be necessary to meet unexpected disasters. For budgetary purposes, a program level of $2 billion is reflected in the Budget for fiscal year 1984 and $870 million is shown for fiscal year 1985. The reduced program level reflects expected reductions in the previously high level of drought losses and legislation approved in 1980 which gradually phases out subsequent loans for annual operating expenses.

Replenishment of Agricultural Credit Insurance Fund

An appropriation of $1.09 billion is requested to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred during fiscal year 1983. The principal element of this reimbursement is the amount by which the interest expenses paid by the Agency exceeded interest income accruing from our outstanding loans. Many of the outstanding loans made from this fund accrue interest at rates in effect as early as 1954, rates which are substantially below recent years' cost of money.

COMMUNITY PROGRAMS

Community programs provide the residents of rural America with a source of financing for those that have a need and want to improve their quality of life or build community infrastructure. Loans are made from the Rural Development Insurance Fund and grant money comes from a separate appropriation and is used in conjunction with loan funds in the poorer rural communities.

The 1985 budget request for community loan programs under the Rural Development Insurance Fund is $350 million.

Community Facility Loans

Loans are currently made to public bodies and nonprofit organizations and corporations in rural areas including cities and towns of not more than 20,000 population. These loans finance projects involving fire and rescue services, health and medical care, and community, social and cultural benefits. We are requesting $100 million for community facility loans.

The interest rate charged borrowers for loans in this program is based on the income of the service area and will vary from 5 percent to market rates.

Water and Waste Disposal Loans

The budget requests $250 million for the Water and Waste loan program. Loans are made in this program to provide for safe and sanitary drinking water and reduce the affects of pollution through control of waste disposal. Water and waste disposal grants may be made concurrently with loans, thereby reducing user charges to comparable rates of other water systems.

In order to make maximum use of these funds, and to best serve those most in need, priority consideration will be given to those projects which will enlarge, extend or otherwise modify existing facilities to provide service to additional rural residents.

Business and Industrial Loans

We do not recommend funding of the guaranteed business and industrial loan program. We are of the opinion this program has served a useful purpose but is no longer needed because of the improving business environment and reduced interest rates.

Other Community Programs

We are requesting $90 million for water and waste disposal system grants to complement the loan program in 1985.

Replenishment of Rural Development Insurance Fund

An appropriation of $560 million is requested to reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred during fiscal year 1983.

HOUSING PROGRAMS

Our housing programs are financed mainly through the Rural Housing Insurance Fund. For fiscal year 1985, we are requesting loan authorizations amounting to a little over $2.3 billion. We believe the requested budget will be adequate to meet the most critical needs of low-income borrowers. The Agency will continue to stress a balanced housing program of loan making and servicing our existing borrowers.

The assistance for the purchase of existing housing units will remain an important part of our program. The financing of reasonably priced existing housing units allows the Agency to assist a lower-income level borrower than could be assisted otherwise.

Rural Housing Building and Repair Loans

The major thrust of our housing budget will be for loans to enable eligible low-income applicants to build or purchase new or existing dwellings, or repair and rehabilitate dwellings, in rural America, if their need for necessary housing cannot be met with financial assistance from other sources. The 1985 budget request for the single family housing program is $1.6 billion. It is a requirement that not less than 40 percent of the homes financed nationally and 30 percent in each State will be available for very low-income families. We estimate that the requested level would provide for approximately 35,500 units in fiscal year 1985.

Very Low-Income Housing Repair Program

The loan authorization request for Section 504 home repair loans for fiscal year 1985 is $17 million. This program level will provide ample funding for the very-low income elderly to improve or modernize their rural dwellings, to make the dwellings safer or more sanitary, or to remove hazards.

Farm Labor Housing Loans

The budget request includes $13 million for farm labor housing loans. This program level will provide funding for approximately 340 units of housing assistance.

Rural Rental Assistance Payments

Our 1985 budget will provide assistance for 10,500 units which we plan to use for renewing expiring rental assistance agreements obligated in prior years and to cover servicing needs for rental housing projects in the Agency's portfolio. The appropriation request is for $116 million. We plan to use five-year terms for the rental assistance agreements that will be obligated in fiscal year 1985.

The rental assistance program is currently being funded under two separate accounts. The first, under the Rural Housing Insurance Fund in the amount of $62 million and the second, with an authorization of $49 million, under a separate account. The FY 1985 budget proposes that all obligations within the Rural Housing Insurance Fund be transferred to the separate account in order that the program costs can be more easily identified and would remove the deep subsidy program from the revolving loan fund where inclusion of this type of activity is not entirely appropriate.

Other Rural Housing Support Programs

The budget request does not include funds for the various small grant programs since these programs are generally more costly to administer, have not been fully utilized, and other Farmers Home Administration loan programs are available at deeply subsidized interest rates.

Replenishment of the Rural Housing Insurance Fund

An appropriation of $1.84 billion is requested to reimburse the Rural Housing Insurance Fund for subsidies and losses incurred during fiscal year 1983.

SALARIES AND EXPENSES

The 1985 appropriation request for Salaries and Expenses is $327 million. This is about $3 million below the adjusted appropriation estimated for 1984. The 1985 request includes a decrease in contractual and other services partially offset by an increase for restoration and annualization of pay costs.

The staff year resources requested have not been changed from the currently estimated fiscal year 1984 level. We expect to have sufficient staff-years to provide for our loan making plus adequate loan servicing, debt collection and credit counseling at the county office level.

The Farmers Home Administration is supporting the President's management initiatives by implementing extensive management improvements. These improvements, plus other innovations and cost reductions will result in a more efficient Agency operation during fiscal year 1985. The overall net reduction of approximately $3 million includes a decrease in contractual and other services of $8,704,000. This level will provide funds for basic contractual arrangements for Agency operations but will not allow for expansion of management initiatives.

The amount requested includes $5,552,000, the portion of pay increases absorbed in 1984, and the 3-month annualization which will be required in 1985 to carry out program responsibilities.

FmHA is responding to presidential cash management initiatives and is saving money for the Government through improvements to our disbursement and collection systems. The improvements implemented are taking advantage of new electronic methods of handling disbursements and collections which speed up the processes involved and cut down the interest costs to the Government.

One such improvement enables FmHA to save float costs by depositing large dollar collections, over $500,000, from local FmHA offices and transferring the funds via the Treasury Financial Communication System on the actual payment date.

Currently, FmHA is also conducting a five-state experiment on concentration banking. This experimental system speeds the flow of borrower payments from local FmHA offices to the Treasury. When implemented on a National basis, we project an annual savings of interest expense to FmHA of approximately $8 million. This test is being conducted in Georgia, Missouri, Wisconsin, Oregon, and Florida, and has greatly improved fund availability for the U.S. Government and FmHA.

Another cash management initiative allows FmHA to obligate funds and order checks for borrowers electronically via a terminal network in the State Offices. This removes dependence on the mail and eliminates several days from the amount of time that FmHA delivers checks to borrowers. FmHA field offices will be assured of receiving money on the date requested. Loan checks can be ordered when actually needed which will reduce interest expense to the Government. We expect to save approximately $11 million in interest costs through use of this system.

The Farmers Home Administration is in the final stages of conversion of its loan management and accounting systems from the Burroughs computer in St. Louis to computers in the Kansas City Computer Center. This will be completed by September 30, 1984. We have furnished workload data to the Department's Office of Information Resource Management for their use in planning for the necessary hardware, software and communications support required. The Kansas City Computer Center is in the process of acquiring, on a phased basis, the resources necessary to support this system. We are fully supportive of this effort, and have included necessary funds in our Fiscal Year 1984 and 1985 budgets. The Department has requested an appropriation of $10 million to capitalize the Working Capital Fund. As a major user of the Kansas City Computer Center, we support this request since it will result in additional capacity and reduced costs to us for our processing.

Mr. Chairman, this concludes my prepared testimony. As in the past, attached to the statement is a brief history of FmHA with charts and statistics which may be helpful to insert in the record. I will be happy to answer any questions you might have. Thank you very much.

A BRIEF HISTORY OF FARMERS HOME ADMINISTRATION

Farmers Home Administration (FmHA) is the credit agency for agriculture and rural development in the U. S. Department of Agriculture (USDA). Its history of financial and technical assistance in rural America goes back 48 years. FmHA continues the mission of its predecessors in rural assistance, the Resettlement Administration and the Farm Security Administration.

Today, the agency serves a broader purpose than the 1930's singular effort to make loans to Depression-stricken farm families. As recently as 1960, FmHA was primarily concerned with its supervised credit program for low-income farmers.

FmHA continues to be a source of credit for building stronger family farms; in 1983, farm credit accounted for almost one-half of all resources administered by FmHA. Congress, during the 1960's and 1970's, added additional programs that benefit families and communities throughout the rural population, helping to provide safe, modest housing; modern, sanitary water and sewer systems; essential community facilities; and job/economy-boosting business and industry in rural areas.

In 1977, the Rural Development Service was merged into the Farmers Home Administration, giving the agency a rural development policy management capability. Later the agency was given significant new responsibilities to help implement the Small Community and Rural Development Policy Act of 1980. FmHA directed its resources to high-priority rural problems such as housing, health, transportation, water systems, communications, energy, and economic development. Wherever possible, FmHA coordinated programs and funding with other Federal, State, and local agencies. In 1981, a separate Office of Rural Development Policy was established, which answers directly to the Under Secretary of Agriculture for Small Community and Rural Development.

A major advantage to rural people is the localized delivery system developed over the years by FmHA. Approximately 10,800 permanent full-time employees direct FmHA resources from the National Office in Washington, D.C., 46 State offices, 273 district offices, and about 1,930 county offices serving every county or parish in the 50 States plus the Pacific Trust Territory, American Samoa, Guam, Puerto Rico, and the Virgin Islands. FmHA's close one-on-one relationship with its borrowers is unique in the Federal Government.

FmHA's existing system of personal contact across the country has established it as the "lead" agency for rural development. Congress and the Administration continually recognize FmHA's long experience in serving rural communities and farm families and have over the years expanded old services and created new ones.

FmHA loans and grants supplement the amount of credit and capital directly available from commercial lenders in rural areas. In most programs, the agency makes loans to qualified applicants who can find no other sources of financing available on terms or conditions they can meet.

The money loaned by FmHA comes from collections on previous loans, or from private investors through sale of Government securities. In guaranteed loan making, funds are supplied directly to borrowers by commercial lenders, with FmHA minimizing the lender's risk.

Grants for rural water and waste disposal systems, farm labor housing, home repair for low-income elderly people, and "self-help" homebuilding by low-income families supplement the agency's rural lending program.

RESETTLEMENT ADMINISTRATION

The lineage of FmHA goes back to the Resettlement Administration, which was established as an independent agency in 1935 and formally assigned to the Department of Agriculture in January 1937.

The programs of the Resettlement Administration offered a number of approaches to solving the problems of poor people and poor land. The most popular was the supervised loan program. Supervised loans were part of a Governmentwide effort to help needy rural people reestablish themselves on a self-supporting basis.

During its 2-year operation, the Resettlement Administration made more than 300,000 short-term loans, often supplemented by grants to low-income families. Each loan was based on a farm and home management plan worked out by county, farm, and home supervisors in cooperation with the borrowing family. The plans were designed to ensure the use of good farming practices and to fit the need of the families taking part in the program.

By 1937, there was a growing conviction in USDA and in Congress that supervised credit as pioneered by the Resettlement Administration was the answer to a worsening national problem of hardship and failures among tenant farmers. On July 22, 1937, the Bankhead-Jones Farm Tenant Act was passed.

The Resettlement Administration was given the responsibility for the new program of supervised farm ownership loans with 40-year terms for farmers who lacked other sources of credit for buying their own land and for farm and home improvement.

Also enacted in 1937 was the Water Facilities Act to provide loans for individual and association farm water systems in 17 Western States where drought and water shortage were familiar hardships. The Resettlement Administration shared servicing responsibilities of the program with the Soil Conservation Service and the Bureau of Agricultural Economics. This act was the forerunner of the rural water programs now administered by FmHA.

FARM SECURITY ADMINISTRATION

As administrative actions were taken to carry out the Farm Tenant Act, on September 1, 1937, the Resettlement Administration was renamed the Farm Security Administration (FSA).

For the ensuing 9 years, FSA carried on supervised credit programs with farm and home counseling by county office staff. The success of a large percentage of these borrowers helped strengthen family farm agriculture and helped the Nation meet its awesome food-producing challenges in World War II. By 1941, the FSA had made more than 13,000 loans to tenant families for the purchase of farms.

In 1942, FSA was given full responsibility for the water facilities program in the 17 Western States.

FARMERS HOME ADMINISTRATION

By 1946, it was generally conceded both in and out of Congress and within the agency itself that a restructuring of FSA was necessary, that some old Resettlement programs were no longer justified; others could be improved and new programs would be needed in the postwar period.

Accordingly, in August 1946, Congress passed the Farmers Home Administration Act. This measure, which took effect in 1947, reconstituted FSA under the new name Farmers Home Administration, commonly known as "FHA." However, the agency was often confused with other agencies having the same initials, such as the Federal

Housing Administration and Federal Highway Administration. In April 1974, USDA formally adopted "FmHA" as the agency's distinguishing acronym.

Combined in the new FmHA were some programs of FSA and the emergency crop and feed loan program. The latter, a service in short-term loans (for feed, seed, and fertilizer) to farmers in designated hardship areas, had been originated through USDA in 1918, and carried on during 1933-46 through Production Credit Associations of the Farm Credit Administration's agricultural credit system.

The Farmers Home Administration Act also gave FmHA new authority to insure loans made by banks, other agencies, and private individuals, as well as to make direct Government loans. The act brought an end to rural rehabilitation loans, of which over 3 million had been made since 1935 by the Resettlement and Farm Security Administrations. They totaled over $1 billion.

In its first 3 years, FmHA confined its operations to development of supervised farm ownership and farm operating loan programs, and to water facilities projects in the 17 Western States.

EXPANSION OF FmHA SERVICES

The first of many additions to FmHA's portfolio of services, all made available to rural people through the well-established system of FmHA county offices, came in 1949. These are highlights of the Congressional acts (1949 through 1981) that have molded FmHA's wide variety of services.

The Federal Housing Act of 1949 gave FmHA authority to make housing loans to farmers as a part of the national housing program. The Disaster Loan Act of 1949 originated the special emergency farm loan for recovery from losses inflicted by natural disaster.

The Water Facilities Act was amended in 1954 to apply nationwide, rather than limited to the 17 Western States, and to let farm area water systems take on nonfarm customers in rural communities.

Rural development was given Federal program status by USDA administrative action in 1955. FmHA's first involvement was a pilot program of loans to small farmers who could not qualify for regular FmHA loans.

In 1959, FmHA began to make loans to local organizations covering the local share of cost in small watershed projects under Public Law 566.

Major overhauling and expansion of FmHA authorities came with passage of the Consolidated Farmers Home Administration Act of 1961. Its principal provisions were the following:

* Raised limits on farmer loans to $60,000 for farm ownership, replacing a formula whereby each county's limit had been the average value of its family farms and from $20,000 to $35,000 for farm operating purposes.

* Opened up the water system program to the general rural population, including incorporated towns of up to 2,500. The loan limit on a project (previously $250,000) was raised to $500,000 for a direct FmHA loan and to $1 million for an insured loan.

Also in 1961, the Federal Housing Act was amended to make nonfarm rural residents eligible for FmHA's direct housing loans. This new jurisdiction in rural housing extended to towns of up to 2,500 population.

Still more expansion of FmHA services came in 1962. The Senior Citizens Housing Act set up loans for low-rent apartment projects designed to meet the needs of people age 62 and over. This type housing was acutely lacking in rural communities.

Amendments to the Farmers Home Administration Act authorized loans for a shift in land use to outdoor recreational facilities built primarily to benefit rural people. The agency began to make loans to family farmers to set up farm-based recreation and other nonagricultural enterprises that would add to family income, and for association grazing ranges where family farmers and ranchers share the use of more grazing land for livestock production.

A pilot program for rural renewal, delegated to FmHA, launched experiments in several States to develop better community facilities, improve homesites and housing, and attract new industry to underdeveloped rural areas. Rural renewal was discontinued as an experimental program in 1969.

FmHA also was authorized in 1962 to make loans covering local project costs in areas designated for benefits of a resource, conservation, and development program which, like the small watershed program, is supervised by USDA's Soil Conservation Service.

The Economic Opportunity Act of 1964 established loans to low-income rural people for small farm improvements or nonfarm enterprises that would add to family income. FmHA performed the lending through its county offices with funds provided by the Office of Economic Opportunity until 1971. The agency made nearly 65,000 loans totaling $109.3 million to individuals and 1,476 loans totaling $21 million to cooperatives.

EXPANSION OF PROGRAMS TO PRESENT LEVELS

The expansion of old programs and enactment of new ones during the first 4 years of the 1960's raised FmHA's total loan and grant volume from the $300 million level of fiscal year 1960 to $750 million in fiscal year 1965.

Rural housing was changed from a program of direct loans to one primarily of insured loans, and the population limit on towns served through FmHA was raised from 2,500 to 5,500. This opened the way for the greatly increased housing services for rural people.

In 1966, senior citizens and younger low-income families became eligible for FmHA rural housing loans or tenancy in rural rental housing.

In 1968, an overhauling of the Housing Act of 1949 established the interest-supplement housing loan program. It enabled some low-income families to pay as little as 1 percent interest and provided for subsidized loans to developers of low-priced rental housing for low-income families and senior citizens. New programs also were enacted in 1968 for rural homesite development loans and for grants toward support of "self-help" homebuilding group projects. Grants of up to 90 percent, as well as loans, were authorized for farm labor housing projects.

The Housing Act of 1970 raised the population limit to 10,000 for a rural community where FmHA housing loans may be made.

In 1965, the water facilities loan program was transformed into a loan-and-grant program for both water and waste disposal systems.

Rural towns of up to 5,500 were made eligible to be included in FmHA-financed projects, and the limit on FmHA financing of a project was raised to $4 million.

In 1968, Congress abolished a statutory annual ceiling of $450 million on FmHA-insured loan authority for farm ownership and community facilities combined, and raised the national total authorization for water-waste disposal grants from $50 million to $100 million a year. In 1970, legislation was passed to remove technical barriers to the use of investors' FmHA-insured funds, rather than direct appropriated funds, for loans to tax-exempt public bodies such as municipalities and public service districts. That year marked the beginning of a period of rapid growth and increased service to small towns.

In farm credit programs, the agency took action in 1970 to increase its cooperation with other lenders in jointly serving farm borrowers, with FmHA taking a second lien when the same security is mortgaged both for the FmHA and other lenders' loans. In 1971, the limit on a farm ownership loan secured by a mortgage on real estate was raised from $60,000 to $100,000.

The Rural Development Act of 1972, enacted August 20, 1972, gave USDA primary responsibility for Federal activities in support of rural development. It established the position of Assistant Secretary for Rural Development to coordinate this effort through the programs and expertise of FmHA, Rural Electrification Administration (REA), and the Rural Development Service (RDS). In 1977, RDS was merged with FmHA and in 1981 it was elevated to the Office of Rural Development Policy.

In its other principal provisions affecting FmHA, the act--

* Authorized FmHA to guarantee loans made by commercial lenders for farming, housing, and rural business and industry, including enterprises in cities of up to 50,000 population.

* Abolished the limit of $4 million per project on FmHA financing of water and waste disposal systems, increased the national grant authorization for water and waste disposal to $300 million a year, and raised the population limit on towns included in FmHA-financed systems to 10,000.

* Authorized FmHA loans for other kinds of essential community facilities such as fire departments, community halls, hospitals, nursing homes, and other related facilities.

* Authorized FmHA grants to improve rural industrial sites.

* Authorized area assistance planning grants.

* Authorized FmHA to make investor-funded insured loans for farm operating purposes, and raised the limit on a farm operating loan from $35,000 to $50,000.

* Authorized youth loans to rural young people under age 21 for farm or nonfarm income-producing enterprises supervised through schools or organizations, such as in 4-H Club and Future Farmers of America programs.

* Set $225,000 as the maximum permissible debt against farm property on which FmHA and a cooperating lender may simultaneously hold liens. This enabled FmHA to participate in larger loans up to its limit of $100,000 to family farmers and ranchers.

The emergency loan program to help farmers recover from natural disaster underwent a short-lived expansion in 1972. An act of Congress, stimulated by the Hurricane Agnes disaster in Northeastern States, liberalized emergency loan terms nationwide and decreed nonrepayment of the first $5,000 to cover actual loss. After the cost mounted to about $550 million within a few months, the program was suspended and Congress in 1973 returned emergency loans to a fully repayable basis. Legislation in 1975 established separate categories of disaster emergency loans to cover losses and to finance resumption of farm production operations. Under the Small Business Development Act of 1980, FmHA was given authority to make unsubsidized emergency loans to farmers who are able to get credit from commercial lenders. The law limits loans to these creditworthy borrowers for actual loss only.

A special Emergency Livestock Credit Act for FmHA guarantee of commercial lenders' loans to livestock and poultry producers in financial distress was enacted July 25, 1974. The program expired September 30, 1979. Under terms of the program, FmHA guaranteed a maximum $350,000 worth of commercial credit for an eligible borrower. Loan guarantees totaling $1.5 billion of principal outstanding were authorized. About $1 billion of this credit was used by farmers and lenders.

Under amendment of the National Housing Act, passed in 1974, FmHA in 1976 introduced its housing loans into towns of 10,000 to 20,000 population that are outside Standard Metropolitan Statistical Areas (SMSA's) and certified by the Secretaries of Agriculture and Housing and Urban Development (HUD) to be lacking in mortgage money from other sources. Later in 1976, Congress revised the criteria for serving the larger non-SMSA communities by specifying that consideration be based on shortage of mortgage loan funds for families of low and moderate income. Housing Act amendments of 1974 also authorized extension of FmHA housing loan services to U.S. island territories, including trust territories in the Pacific. (Service was initiated on Guam in 1976 and other islands in 1977.)

The guarantee of commercial lenders' housing loans to families of moderate income was implemented in January 1977 under authorities provided in the Housing and Rural Development Acts. However, under the Housing Act Amendment of 1977, guarantee of housing loans was limited to the service of families with above moderate income. In 1977, FmHA also implemented grants to senior citizens with very low income for repair of badly deficient houses, and an authority under housing legislation of 1974 to provide rental assistance supplementing rent paid by low-income tenants of FmHA-financed rental housing.

The Emergency Agricultural Credit Adjustment Act, enacted August 4, 1978, substantially changed the farm programs of FmHA and added a new program of economic emergency loans. The new program authorized FmHA to make or guarantee loans of up to $400,000 to farmers or ranchers hard pressed by shortages of credit from regular sources or by a cost-price squeeze. The agency is authorized to carry a maximum of $6 billion in economic emergency loans at any one time. The loans can be used to refinance certain outstanding debts, reorganize the farming operation, and pay other operating expenses. However, funds cannot be used to expand farming operations.

Although the 1978 act set May 15, 1980, as a date of expiration for the economic emergency loan program, the Agriculture and Food Act of 1981 extended authority for the program until September 30, 1982. In 1983, FmHA was directed to reopen its economic emergency loan program, effective December 22 through September 30, 1984.

The 1978 Agriculture Credit Act also made changes in existing programs --

* Expanded eligibility for farm loans to family corporations, cooperatives, and partnerships, as well as individuals.

* Increased loan limits to $200,000 for insured and $300,000 for guaranteed farm real estate loans and to

$100,000 for insured and $200,000 for guaranteed farm operating loans.

* The interest rate for farm ownership loans was changed to be based on cost of borrowing to the Government. Special interest rates on ownership and operating loans were made available for limited-resource farmers.

* The interest rate for actual losses under disaster emergency loans also was set at 5 percent.

* The maximum allowable grant for water and waste disposal projects was increased from 50 percent to 75 percent.

* Revoked the requirement that the Department of Labor clear business and industrial loans of less than $1 million and when employment is less than 50 people.

Powerplant and Industrial Fuel Use Act of 1978 (Section 601) provided energy impact assistance grants--sometimes called the "boomtown" program--to rural communities which faced problems of rapid growth due to new coal and uranium mining. Grants were available for planning as well as acquiring and developing sites for housing and public facilities. "Energy impacted areas" were designated by State governors and approved by the U.S. Department of Energy. By the end of 1981, approximately 400 grants had been awarded to communities within the designated 24 States. The program has not been funded since 1981.

The Rural Development Policy Act of 1980 gave USDA a leadership role in coordinating a nationwide rural development program. Among other provisions, it created the position of Under Secretary of Agriculture for Small Community and Rural Development and increased FmHA's annual authorization for section 111 planning grants. The planning grants under section 111 had been authorized by the Rural Development Act of 1972. The grants were made to States, substate districts, local governments, and certain community-based organizations to encourage and help meet the cost of comprehensive planning in rural areas. Grants were used for planning a wide variety of services including water, sewer, housing, energy, and economic development. Through its final year of funding, fiscal year 1981, the Federal Government made 605 grants for a total of $19 million.

The Energy Security Act of 1980 was a $20 billion comprehensive synthetic fuel measure designed to spur the production of 500,000 barrels of synfuels daily by 1987 and 2 million barrels by 1992. Small-scale projects (less than 1 million gallons per year) with a loan amount of less than $1 million, and intermediate projects (over 1 million and less than 15 million gallons) became eligible for FmHA financing.

The Omnibus Budget Reconciliation Act of 1981, enacted on August 13, 1981, directed FmHA to select water, sewer, and community facility projects based on the percentage of low-income population to be served, severity of the threat to health, and size of the community. Priority was to go to the smallest communities.

AN UNDUPLICATED RURAL RESOURCE

FmHA programs operate as a supplement to credit made available by private lenders, not in competition with them, and as a helping hand to the capable and industrious family or community whose progress is blocked by lack of credit resources.

A family in need of farm financing, or a loan for an adequate home, may be of modest circumstances and lack credentials for conventional credit. A rural locality may be without a local lending institution, financial needs of the area may exceed the capacity of institutions that are there, or a rural community may not be able to qualify for financing through the conventional bond market.

In circumstances such as these, resources brought within reach through FmHA help to make up for shortages in local and private resources. As it lends money raised throughout the Nation from investors in Government securities or guarantees loans made by city banks and other commercial lenders, FmHA relays into the rural United States a flow of outside capital needed for farm, home, community, and rural economic development.

Historically, the availability of credit through FmHA, when none other was to be found, has enabled hundreds of thousands of farm families to keep their foothold on the land, rather than abandon farming. Through the years, FmHA has enabled more than 1.4 million poorly housed rural families to move into adequate homes. The agency is currently helping approximately 11,000 borrowers obtain modernized central water and sewer systems.

The "supervised loan" principal adopted by the agency in its earliest years still is necessary to help borrowers achieve the purposes of their loans and to pay back what they have borrowed. Loan losses written off during the 48 years of the agency amount to less than 1 percent of principal advanced.

SOURCES OF INSURED LOAN FUNDS

FmHA loans classified as "insured" are made from three loan revolving funds. The oldest is the Agricultural Credit Insurance Fund (ACIF), established when FmHA began to make insured loans in the 1940's, and now the fund from which all farmer-program loans are made. The Rural Housing Insurance Fund (RHIF) was established with inauguration of insured rural housing loans in 1965. The Rural Development Insurance Fund (RDIF), established under the Rural Development Act of 1972, took over from ACIF the agency's lending for water, sewer, and other community facilities, and for business and industrial development.

The revolving funds are nourished by the incoming flow of loan repayments, plus the sale of Certificates of Beneficial Ownership to the Federal Financing Bank.

Prior to 1974, investors received actual notes or other security instruments FmHA had taken from borrowers. The investor supplied to FmHA an amount equal to principal owed on the note and the agency guaranteed repayment of the investments with interest. As borrowers repaid loans, payments were made to investors and the value of the investment was reduced. Until 1970, with FmHA program levels requiring less than $1 billion a year of note marketing, sales were conducted directly from FmHA. From 1970 through 1973, as marketing requirements rose to more than $2 billion a year, the agency increased sales by marketing large blocks of notes to security dealers, who in turn sold them to trust funds and other large investors.

In 1974, FmHA discontinued the marketing of actual notes and introduced a new investment security instrument, the Certificate of Beneficial Ownership (CBO). CBO's are issued against pools of loan notes and signify that investors will share in interest earnings. Since 1977, FmHA has placed CBO's only with the Federal Financing Bank, an institution closely related to the Department of the Treasury, and has sold no CBO's to the public.

SUMMARY BY PROGRAM AREA

From the beginning of the Resettlement Administration in 1935 until the end of fiscal year 1983, a total of $116,434,072,547 was advanced or obligated in more than 9.3 million loans and grants made through FmHA and its predecessor agencies.

Program by program, the all-time totals as of September 30, 1983, are as shown on page 19.

The unpaid principal owed to FmHA on all FmHA loans as of September 30, 1983, totaled $58,513,830,000.

The annual volume of programs, making FmHA the largest Federal loan agency dealing directly with borrowers, reflects the emphasis during the 1960's and 1970's on resources for development or revival of the whole rural community. Money spent on programs increased from $300 million to $1.6 billion during the 1960's. Since then, the following annual levels have been recorded (in thousands):

FY 1969 --	$ 1,431,925
FY 1970 --	1,639,749
FY 1971 --	2,414,316
FY 1972 --	2,789,806
FY 1973 --	3,754,934
FY 1974 --	3,601,475
FY 1975 --	5,486,089
*FY 1976 --	7,190,920
FY 1977 --	7,255,534
FY 1978 --	11,111,102
FY 1979 --	14,601,635
FY 1980 --	12,965,758
FY 1981 --	13,975,037
FY 1982 --	8,778,217
FY 1983 --	7,314,494

The downward dip between fiscal years 1973 and 1974 was attributed to an exceptionally great outlay for farm emergency loans in 1973 and a January-June moratorium on new subsidized housing that decreased the backlog of loan applications for fiscal year 1974. The high volumes from 1978 through 1981 included record levels for farm emergency, housing, community facility, and business and industrial programs.

Following are summaries of current FmHA services.

FARMER PROGRAMS

FmHA helps finance farmers who generally cannot get credit they need from other lenders at reasonable rates and terms. January 1 figures indicate FmHA held 7.03 percent of the total outstanding farm debt in 1979, 9.71 percent outstanding in 1980, 10.7 percent in 1981, 11.5 percent in 1982, and 11.02 percent in 1983.

The average U.S. farmer had real estate assets of $321,894 on January 1, 1983, compared to $311,307 in 1980. Currently, the annual production expenses per farm average about $58,376. In 1983, the average U.S. farmer had about $115,122 invested in machinery and other non-real estate assets, up from $33,609 in 1970.

Farm ownership loans enable family-size farmers lacking other sources of credit to buy, improve, or refinance farm real estate. Family size farms operated by individuals, partnerships, cooperatives, or corporations can be considered for eligiblity. Loan limits are $200,000 for insured loans and $300,000 for guaranteed loans. Farm ownership loans may be repaid in up to 40 years. The interest rate for these loans is set periodically by the Secretary of Agriculture, based on the cost of Government borrowing. Repayment terms and interest rates are negotiated between the borrower and the lender in the case of guaranteed loans. Insured loan borrowers must refinance through conventional lenders when financially able, thereby "graduating" from FmHA credit. Loans are secured by one or more mortgages on the farm real estate.

Farm operating loans, insured

*Includes Transition Quarter

or guaranteed, are usually secured by chattel mortgages on feed, growing crops, livestock, machinery, or other elements of production. Family farmers and ranchers lacking other sources of production financing may be eligible. Terms usually range from 1 to 7 years, according to loan purpose; the interest rate is set periodically, based on the cost of Government borrowing. The limit is $100,000 for insured loans and $200,000 for guaranteed loans.

Limited resource loans are made for the same purposes as farm ownership and operating loans to owner-operators or tenant-operators who, because of lack of experience, equipment, capital, land, adequate financing, or due to underdeveloped farms and farming practices, need a lower interest rate to have a reasonable chance of success. These are obstacles faced most often by young, beginning, and minority farmers who have not been able to develop farms which earn them an adequate living. The limited resource farmer borrows at the lower interest rates until able to pay the regular rate of lending.

Emergency loans are made available to farmers and ranchers who have suffered qualifying production and/or physical losses in designated disaster counties. Such counties must have been declared an emergency or major disaster area by the President, or determined to be a natural disaster area by the Secretary of Agriculture, or in some cases, by the FmHA Administrator. The FmHA Administrator can make the determination when only severe physical losses were sustained as a result of a disaster.

Disaster emergency loans help farmers recover from actual production and physical losses inflicted by natural disasters such as drought, floods, and hailstorms. To be eligible for an emergency loan the county in which the farm is located must be designated a disaster area. Eligible applicants unable to obtain suitable credit elsewhere may receive subsidized loss loans. Applicants who are able to obtain suitable credit elsewhere may receive actual loss loans at rates prevailing in the private market as determined by the Secretary of Agriculture, provided they are otherwise eligible.

The economic emergency loan program was activated on December 22, 1983, by court order. The program will terminate on September 30, 1984. Bonafide farmers unable to get credit elsewhere may apply for insured or guaranteed loans.

Other farmer programs include insured or guaranteed loans to individual farmers for recreational and other nonagricultural income-producing enterprises on farms and for improvement of soil and water resources, loans to Indian tribal organizations to buy privately owned land lying within reservation boundaries, and loans for aquaculture enterprises.

HOUSING PROGRAMS

Housing credit was scarce in rural America until the late 1960's, and the consequences were highly visible throughout the Nation's towns and countryside. With 27 percent of the national population, rural America had 47 percent of the Nation's substandard housing. This meant that the ratio of bad housing to number of families was twice as great in rural communities as in the cities.

However, a large-scale attack on rural housing blight has been mounted by FmHA since 1965. Insured loan service comparable to Federal urban housing credit is available to rural people of low or moderate income. Over 1 million new or modernized family-owned homes and about 250,000 new apartment units have been built in rural communities. About one-third of the apartment projects serve the need of elderly people for low-cost rental housing.

Since 1949, FmHA has provided $42 billion for housing. During fiscal year 1983, FmHA loans and grants funded more than 82,000 living units for $3 billion.

Individual home ownership (section 502) insured loans go to families of low and moderate income, including senior citizens, who need adequate housing. Maximum term for repayments is 33 years. Interest rates vary according to the cost of Government borrowing. Interest credit, which may reduce interest to as low as 1 percent, may be available to qualified low-income borrowers.

FmHA housing credit is available to eligible applicants in rural communities of not more than 10,000. FmHA housing credit may be available in communities between 10,000 and 20,000 population if they are not contained within a Standard Metropolitan Statistical Area (SMSA).

It has been determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development that there is a serious lack of credit for low- and moderate-income households. A very-low-income homeowner whose house is severely deficient may be eligible for a grant or a low-interest (section 504) loan for repairs needed to make the house safe and adequate for habitation and to remove health hazards. A maximum loan of $7,500, a maximum grant of $5,000, or maximum loan-grant combination of $7,500 may be available to help very-low-income elderly homeowners make necessary repairs to their homes. Applicants must be 62 years of age or older to qualify for grant assistance.

Rental housing (section 515) insured loans provide modernized rental or cooperative housing for persons with low and moderate incomes and for those age 62 and older in rural communities of not more than 10,000 population. Such loans may also be available in communities between 10,000 and 20,000 population if the facility is not within an SMSA. The loans are repayable in not more than 50 years. Provisions are made for interest reductions under certain circumstances, so that low-income tenants may pay a rent within their means. Rent paid by low-income tenants also can be supplemented through a rental assistance program administered by FmHA or HUD's section 8 rent subsidy program.

Mutual self-help housing loans are made to families who wish to work together to build their own homes with financial and technical assistance from FmHA.

Specialized housing programs include loans and grants for development of adequate farm labor housing, grants to qualified organizations to help low-income families accomplish "self-help" homebuilding projects, 2-year loans to nonprofit organizations to develop rural homesites, and home weatherizing improvements with simplified financing through FmHA and rural electric cooperatives or other utility companies.

COMMUNITY PROGRAMS

Water and waste disposal borrowers -- Approximately 12,500 borrowers are presently receiving water and waste disposal service from systems ranging from small local communities to inter-community or multicommunity areas. Projects lacking other means of financing may receive FmHA loans for up to 40 years. Grants can be made where necessary to prevent a system's debt repayment load from imposing excessive service rates on patrons of the system. Systems financed through FmHA cover rural countryside and towns of not more than 10,000 population.

Other community facilities -- The Rural Development Act of 1972 extended FmHA's lending authority to include loans to public bodies or nonprofit organizations for community facilities that provide essential services to rural residents. Fire protection, community halls, hospitals, nursing homes, medical clinics, libraries, and schools are among more than 30 types of community facilities eligible for financing. Facilities may be in the rural countryside or towns of up to 20,000 population. Loan repayment is scheduled for up to 40 years. Interest rates are fixed for the life of the loan and are based on the current market yield for municipal obligations at the time of approval. Additional interest charges may apply to projects located on prime or unique farmland.

Loan applications for public safety such as rescue or fire protection facilities and equipment receive priority status for funding. Joint funding of projects with other lending sources is emphasized in order to receive maximum benefit from program sources.

Other programs -- Local costs of projects developed under the small watershed and resource conservation and development programs also may be financed through loans by FmHA to sponsoring local organizations.

BUSINESS AND INDUSTRY PROGRAMS

The business and industry (B&I) loan program was legislated in 1972 under Section 310B of the Consolidated Farm and Rural Development Act in order to encourage business and industrial development in rural areas and to create or preserve employment opportunities in these areas. The program is administered primarily as a guaranteed loan program in communities under 50,000 population, with emphasis on communities of less than 25,000.

When the program began in 1974, there was little rural business credit available. Most industries had not yet recognized the benefits of locating in rural areas and, at that time, national migration was toward larger cities. Today the situation has reversed. During the life of the program, FmHA has guaranteed 6,949 business and industry loans totaling $5.5 billion. In fiscal year 1983, 64 of these loans were made and guaranteed for $82 million.

Under the business and industry guaranteed loan program, commercial loans, guaranteed up to 90 percent against loss of principal and interest, are made by lenders to individuals and corporations. The interest rate on these guaranteed loans is negotiated between the borrower and the lender. Loans may be made for improving, developing, or financing business, industry, and employment.

1983 OBLIGATIONS FOR ALL PROGRAMS

Nationwide and State totals of major FmHA loans and grants for fiscal year 1983 follow.

U.S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Loans and Grants by Program -- Fiscal Year 1983

	Number of Loans or Grants	Dollar Amount
FARMER PROGRAMS:		
Farm Operating Loans	56,560	$ 1,735,547,300
Farm Ownership Loans	10,198	749,579,380
Emergency Loans	8,771	565,937,500
Soil and Water Loans (Individual)	857	12,212,410
Indian Tribe Land Acquisition Loans	5	7,450,000
Farmer Programs, Total	76,391	$ 3,070,726,590
RURAL HOUSING PROGRAMS:		
*Low-Moderate Income Housing Loans	66,439	$ 2,138,276,949
Compensation for Construction Defects (Grants)	107	295,966
Very-Low-Income Repair Loans	2,288	7,075,910
Very-Low-Income Repair Grants	3,845	12,499,930
Rural Rental Housing Loans	1,195	801,997,400
Rental Asst. Program:		
Rental Housing (11,415 Units)	1,064	120,257,025
Labor Housing (331 Units)	10	3,487,085
Farm Labor Housing Loans	68	3,994,290
Farm Labor Housing Grants	12	7,543,530
Site Loans	1	310,000
Self-Help Housing Grants	47	10,983,486
Housing Programs, Total	75,076	$ 3,106,721,571
COMMUNITY PROGRAMS:		
Water and Waste Disposal Dev. Loans	1,184	$ 600,000,000
Water and Waste Disposal Dev. Grants	630	313,160,570
Development Grants Other Than FmHA	47	10,004,850
Community Facility Loans	208	130,000,000
Watershed and Flood Prevention Loans	3	813,700
Resource Conservation and Development Loans	5	1,155,000
Community Programs, Total	2,077	$ 1,055,134,120
BUSINESS & INDUSTRY PROGRAMS:		
Business & Industrial Loans	64	$ 81,911,810
Business/Industry Programs, Total	64	$ 81,911,810
FmHA PROGRAM TOTALS:		
Loans	147,846	$ 6,836,261,649
Grants (FmHA)	5,715	468,227,592
Other Than FmHA Grants	47	10,004,850
FmHA Program Total	153,608	$ 7,314,494,091

NOTE: All guaranteed loans based on guarantee rates.
* Includes 972 Weatherization loans for the amount of $1,151,019

STATISTICS ON FmHA PERFORMANCE BY FISCAL YEAR
(Dollars in Billions)

		1981		1982		1983	
		Number	Amount	Number	Amount	Number	Amount
I	Cumulative Loans/ Grants............	8,998,324	$100.0	9,188,881	$109.0	9,342,442	$116.2
	Farm Operating.....	2,279,491	11.2	2,324,410	12.5	2,380,970	14.2
	Emergency..........	1,132,823	18.4	1,175,686	20.6	1,184,457	21.2
	Economic Emergency.	121,000	6.6	121,000	6.6	121,000	6.6
	Farm Ownership.....	367,078	8.8	377,308	9.4	387,506	10.1
	* Total Farm......	7,252,083	48.1	7,351,489	52.2	7,427,880	55.3
	RH 502/504.........	1,639,309	28.0	1,722,923	30.5	1,791,650	32.6
	RR Housing.........	14,137	5.0	15,565	6.0	16,760	6.8
	* Total Housing, Loans/Grants...	1,694,868	35.1	1,784,298	39.0	1,859,374	42.1
	Water and Waste Loans/Grants......	34,987	9.3	36,359	9.8	38,173	10.7
	* Total Community Loans/Grants...	44,569	11.5	46,304	12.2	48,381	13.3
	Business & Industry Loans.............	6,804	5.3	6,878	5.4	6,942	5.5

II Write-offs as Percent of Cumulative Advances (Insured and Direct Programs):

	1981	1982	1983
	Sept. 30th	Sept. 30th	Sept. 30th
Farm Operating..........	1.3%	1.3%	1.2%
Farm Emergency:			
Total.................	.7%	.7%	.7%
Current Program.......	.2%	.2%	.2%
Economic Emergency	**	**	.13%
Farm Ownership..........	.11%	.11%	.11%
RH 502/504..............	.14%	.15%	.16%
Rural Rental Housing....	**	.01%	.01%
Business & Industrial Loans (Insured).......	0	0	0
* All Programs........	.6%	.5%	.6%

III Active Borrowers and Amount Outstanding as of End of Fiscal Year: a/

	1981		1982		1983	
	Active Borrowers	Amount (Bil.)	Active Borrowers	Amount (Bil.)	Active Borrowers	Amount (Bil.)
Farm Operating	91,829	$ 2.1	103,818	$ 2.7	113,728	$ 3.5
Farm Emergency	126,640	10.7	123,433	10.7	116,628	9.8
Economic Emergency	69,241	5.0	65,614	4.6	62,180	4.3
Farm Ownership	121,385	5.3	122,546	5.8	123,080	6.3
RH 502/504	990,451	19.3	1,013,955	20.7	1,019,074	21.6
Rental Housing	7,915	3.7	8,737	4.4	9,588	5.0
Water & Waste	11,157	4.6	11,911	5.2	12,493	5.7
* All Programs.	1,442,905	52.5	1,474,263	56.2	1,480,544	58.5

a/ Excludes Guaranteed Loans
* Includes small programs not listed, so columns do not add.
** Less than 0.05 percent.

FARMERS HOME ADMINISTRATION
Loans and Grants by Program -- All-Time Total
through September 30, 1983

	Number of Loans or Grants	Dollar Amount
FARMER PROGRAMS:		
Farm Operating Loans	2,380,970	$ 14,229,087,305
Farm Ownership Loans	387,506	10,181,077,008
Recreation Loans (Individual)	463	20,527,880
Emergency Loans	1,184,457	21,137,199,114
Economic Emergency Loans	121,000	6,628,618,280
Grazing Association Loans	605	129,419,696
Soil and Water Loans (Individual)	42,227	468,674,102
Irrigation and Drainage Loans	610	32,240,909
Indian Land Acquisition Loans	80	91,251,800
Farmer Programs, Total	4,117,918	$ 52,918,096,094
RURAL HOUSING PROGRAMS:		
Individual Housing Loans.(502 & 504)	1,791,650	$ 32,673,859,995
Compensation for Construction Defects (Grants)	107	295,966
Very Low Income Repair Grants	47,319	114,044,007
Rural Rental Housing Loans	16,760	6,801,845,520
Rental Asst. Program:		
Rental Housing (101,515 Units)	1,064**	1,993,505,771
Labor Housing (4,789 Units)	10**	96,007,160
Farm Labor Housing Loans	1,598	170,320,950
Farm Labor Housing Grants	215	152,365,490
Site Loans	169	23,032,090
Self-Help Housing Grants	425	71,946,081
Rural Housing Supervisory Assistance Grants	57	5,000,000
Housing Programs, Total	1,859,374	$ 42,102,223,030
COMMUNITY PROGRAMS:		
Water and Waste Disposal Loans	25,831	$ 8,196,694,844
Water and Waste Disposal Grants	12,342	2,544,065,666
Community Facility Loans	4,401	1,952,991,970
Industrial Development Grants	1,367	83,549,279
Watershed and Flood Prevention Loans	485	173,366,224
Resource Conservation and Development Loans	288	28,830,409
Rural Development Planning Grants (ADA)	605	19,000,000
Development Grants Other than FmHA	1,929	307,766,465
Community Programs, Total	47,248	$ 13,306,264,857
BUSINESS & INDUSTRY PROGRAMS:		
Guaranteed Business/Industrial Loans	6,942	$ 5,489,782,724
Business/Industry Programs, Total	6,942	$ 5,489,782,724
DISCONTINUED PROGRAMS:		
Emergency Livestock Loans	7,738	$ 1,045,660,130
State Corporation Farm Operating Loans	185,904	158,964,394
Rural Rehabilitation Loans	3,031,331	1,015,825,965
Economic Opportunity Loans (indiv.)	64,660	109,394,912
Economic Opportunity Loans (assn.)	1,476	21,107,481
*Recreation Association Loans	1,035	110,510,460
Rural Renewal Loans	56	6,550,300
Water Facility Loans (indiv.)	18,296	29,695,363
Water/Sewer Comprehensive Planning Grants	1,834	22,293,387
Bureau of Reclamation, Soil and Water Loans	283	4,935,550
Land Conservation and Development Loans	274	267,900
Special Impact Grants	2	2,700,000
State Corporation Farm Ownership Loans, Agricultural Credit Corporation Loans, Resettlement Projects, Water Utilization and Construction Loans	(number not available)	89,800,000
Total Discontinued	3,312,889	$ 2,617,705,842
GRAND TOTALS --	9,344,371	$116,434,072,547

* Recreation Assn. Loans included in Community Facility Loans since 1974.

**Data collection started in 1983.

MAJOR PROGRAM TOTALS BY STATE - FISCAL YEAR 1983

(In Millions of Dollars)

	FARM PROGRAMS		HOUSING PROGRAMS		COMMUNITY SERVICE		BUSINESS & INDUSTRY		TOTAL ALL PROGRAMS	
STATE	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
ALABAMA	1,625	$ 61.2	1,506	$ 61.0	52	$ 22.4	0	$ 0	3,183	$ 144.7
ALASKA	2	.03	206	17.6	10	5.3	1	.6	219	23.6
ARIZONA	257	23.7	487	23.7	2	.6	0	0	746	48.0
ARKANSAS	3,371	151.0	1,954	63.6	115	64.4	4	4.4	5,444	283.4
CALIFORNIA	737	63.2	2,382	126.1	38	31.1	0	0	3,157	220.3
COLORADO	579	28.6	529	23.5	16	4.5	0	0	1,124	56.6
CONNECTICUT	125	6.2	558	34.5	17	11.1	0	0	700	51.8
DELAWARE	57	3.1	148	6.5	1	.5	0	0	206	10.1
FLORIDA	630	28.7	1,676	73.8	54	45.3	0	0	2,360	147.8
GEORGIA	2,564	150.3	2,035	87.1	56	27.8	0	0	4,655	265.1
HAWAII	83	4.6	304	16.8	0	0	0	0	387	21.4
IDAHO	1,126	46.0	583	13.6	21	7.0	0	0	1,730	67.3

STATE	FARM PROGRAMS Number	FARM PROGRAMS Dollars	HOUSING PROGRAMS Number	HOUSING PROGRAMS Dollars	COMMUNITY SERVICE Number	COMMUNITY SERVICE Dollars	BUSINESS & INDUSTRY Number	BUSINESS & INDUSTRY Dollars	TOTAL ALL PROGRAMS Number	TOTAL ALL PROGRAMS Dollars
ILLINOIS	2,737	$ 107.9	2,158	$ 66.3	68	$ 29.2	0	$ 0	4,963	$ 203.4
INDIANA	1,659	84.4	1,981	84.1	55	42.6	0	0	3,695	211.2
IOWA	3,468	129.2	1,611	59.7	47	21.1	0	0	5,126	209.9
KANSAS	1,602	59.9	637	24.0	38	14.7	1	.6	2,278	99.2
KENTUCKY	3,007	91.3	2,856	108.2	108	50.1	2	1.7	5,973	251.4
LOUISIANA	3,561	157.0	2,319	109.5	82	44.0	6	19.5	5,968	330.0
MAINE	931	29.2	1,694	72.8	50	28.1	0	0	2,675	130.1
MARYLAND	269	8.7	742	40.1	13	5.9	1	.7	1,025	55.4
MASSACHUSETTS	194	6.4	845	34.1	18	5.3	0	0	1,057	45.8
MICHIGAN	1,662	68.4	2,507	94.1	50	32.3	1	1.6	4,220	196.4
MINNESOTA	2,849	102.5	952	53.0	42	20.9	1	.2	3,844	176.6
MISSISSIPPI	3,381	161.7	4,300	163.0	132	25.6	1	.8	7,814	351.0
MISSOURI	3,599	121.2	2,419	86.2	65	26.2	3	.1	6,086	233.7

	FARM PROGRAMS		HOUSING PROGRAMS		COMMUNITY SERVICE		BUSINESS & INDUSTRY		TOTAL ALL PROGRAMS	
STATE	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
MONTANA	904	$ 46.6	499	$ 16.7	5	$ 2.0	0	$ 0	1,408	$ 65.3
NEBRASKA	1,820	67.5	547	17.9	12	85.9	0	0	2,379	86.1
NEVADA	69	3.4	138	9.0	6	1.6	0	0	213	14.1
NEW HAMPSHIRE	72	1.5	786	34.7	16	6.8	0	0	874	43.1
NEW JERSEY	212	7.6	999	41.7	10	6.3	0	0	1,221	55.6
NEW MEXICO	422	20.9	663	28.9	9	1.6	0	0	1,094	51.4
NEW YORK	1,531	40.7	1,549	48.8	79	35.5	5	5.0	3,164	130.0
NORTH CAR.	3,632	118.3	4,443	167.1	97	65.3	8	9.6	8,180	360.3
NORTH DAKOTA	2,665	97.6	708	29.3	22	15.0	1	.3	3,396	142.1
OHIO	1,563	78.7	1,526	70.3	73	32.0	2	1.2	3,164	182.1
OKLAHOMA	2,653	121.4	1,560	72.1	87	38.0	1	1.6	4,301	233.2
OREGON	478	25.5	1,041	40.6	17	4.5	1	3.2	1,537	73.8
PENNSYLVANIA	1,135	36.0	2,295	102.1	38	27.0	0	0	3,468	165.2
RHODE ISLAND	7	.01	168	7.2	11	5.8	0	0	209	14.4
SOUTH CAR.	1,447	63.8	2,103	92.0	80	41.5	2	.4	3,632	197.7

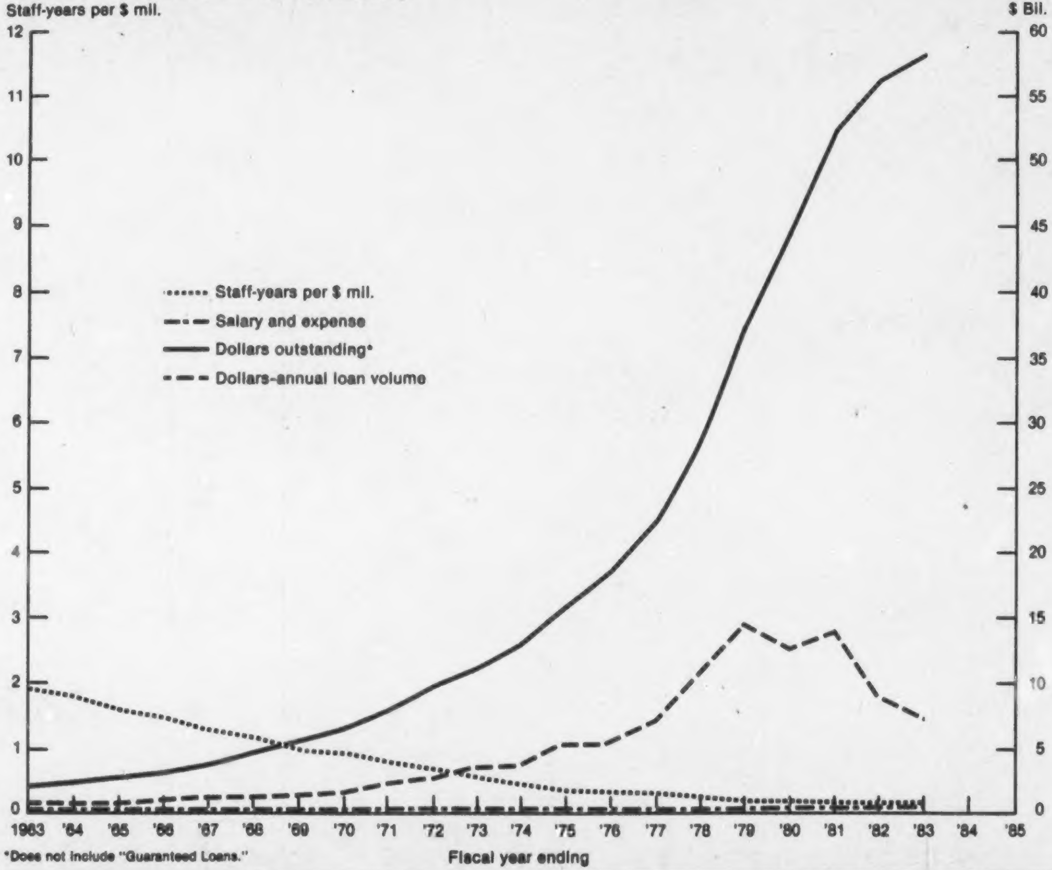
STATE	FARM PROGRAMS		HOUSING PROGRAMS		COMMUNITY SERVICE		BUSINESS & INDUSTRY		TOTAL ALL PROGRAMS	
	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
SOUTH DAKOTA	2,963	$ 92.8	388	$ 10.4	31	$ 14.2	1	$ 2.0	3,383	$ 119.4
TENNESSEE	2,444	80.9	2,761	102.0	62	20.4	3	3.7	5,270	206.9
TEXAS	6,709	287.4	2,650	115.5	90	58.2	7	8.9	9,456	470.0
UTAH	398	14.6	682	25.8	9	4.9	0	0	1,089	45.3
VERMONT	398	9.1	755	28.5	19	20.0	0	0	1,172	57.6
VIRGINIA	905	30.1	1,519	53.0	17	11.1	0	0	2,441	94.2
WASHINGTON	588	29.6	960	44.0	27	5.4	1	1.0	1,576	80.0
WEST VIRGINIA	518	8.9	1,086	52.5	29	19.5	5	5.5	1,638	86.4
WISCONSIN	1,827	62.0	1,913	81.9	36	12.5	4	6.7	3,780	163.1
WYOMING	267	13.0	412	20.2	3	.6	0	0	682	33.8
PUERTO RICO	664	16.5	2,731	105.3	37	25.3	2	2.7	3,434	149.7
VIRGIN ISLANDS	2	.2	32	1.9	3	12.1	0	0	37	14.1
WEST PACIFIC TERRITORIES	0	0	615	18.6	1	.4	0	0	616	19.0
TOTALS	76,391	3,070.7	75,076	3,106.7	2,077	1,055.1	64	81.9	153,608	7,31

(Totals may not add due to rounding.)

(Totals do not include weatherization, rural rental assistance or mutual self-help and contracts.)

(Chart 1)

Loan and Grant Volume and Staff Productivity



*Does not include "Guaranteed Loans."

LOAN AND GRANT VOLUME AND STAFF PRODUCTIVITY

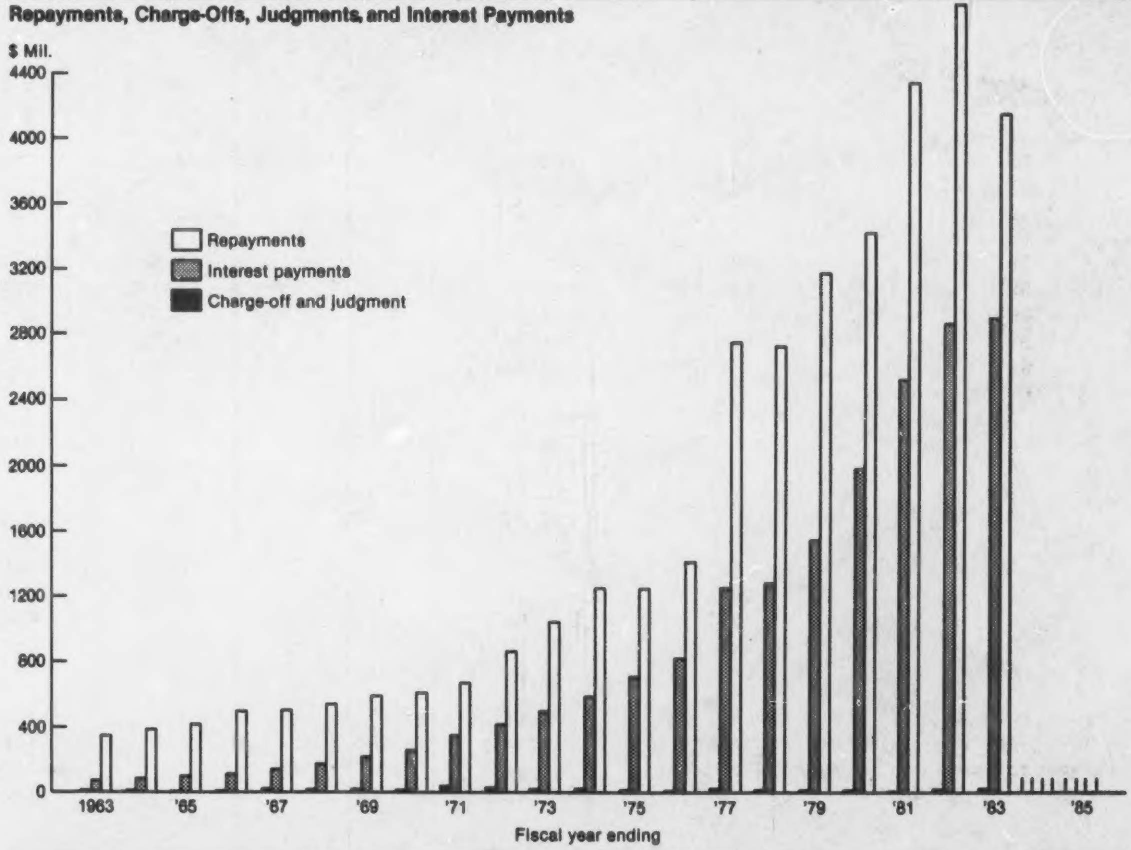
	*Principal Dollars Outstanding End of FY (Billions)	Annual Loan & Grant Volume (Billions)	Total (Billions)	Total Staff Years	Salaries and Expenses (Millions)	Dollars For Which One Person Is Responsible (Millions)	No. of Staff Years For Loan Processing and Servicing Per Million
1963	$ 2.038	$ .796	2.834	5,419.0	$ 40.800	$ .523	1.9
1964	2.353	.747	3.100	5,484.1	44.218	.565	1.8
1965	2.753	.800	3.553	5,858.0	49.563	.607	1.6
1966	3.221	1.088	4.309	6,590.1	57.826	.654	1.5
1967	3.914	1.390	5.304	7,102.5	62.214	.747	1.3
1968	4.778	1.359	6.137	7,360.1	67.861	.834	1.2
1969	5.552	1.431	6.983	7,271.7	72.354	.960	1.0
1970	6.525	1.639	8.164	7,662.7	86.159	1.065	.94
1971	7.869	2.414	10.283	8,533.9	103.422	1.205	.83
1972	9.622	2.789	12.411	8,865.9	113.888	1.400	.71
1973	11.206	3.750	14.956	8,672.0	121.766	1.725	.58
1974	12.977	3.591	16.568	8,168.4	128.724	2.029	.49
1975	15.863	5.466	21.302	8,359.0	142.828	2.548	.39
1976	18.456	5.393	23.849	8,555.4	158.692	2.788	.36
1977	22.526	7.236	29.762	9,405.4	187.959	3.164	.32
1978	28.712	11.089	40.428	10,233.0	227.867	3.952	.26
1979	37.304	14.672	51.976	10,842.0	254.517	4.794	.21
1980	44.630	12.966	57.596	11,813.0	288.321	4.876	.21
1981	52.470	13.975	66.445	12,541.0	322.748	5.298	.19
1982	56.213	8.778	64.975	11,213.0	327.231	5.795	.17
1983	58.514	7.314	65.828	11,566.0	356.595	5.692	.18

* Does not include "Guaranteed Loans."

(Table 1)

(Chart 2)

Repayments, Charge-Offs, Judgments, and Interest Payments



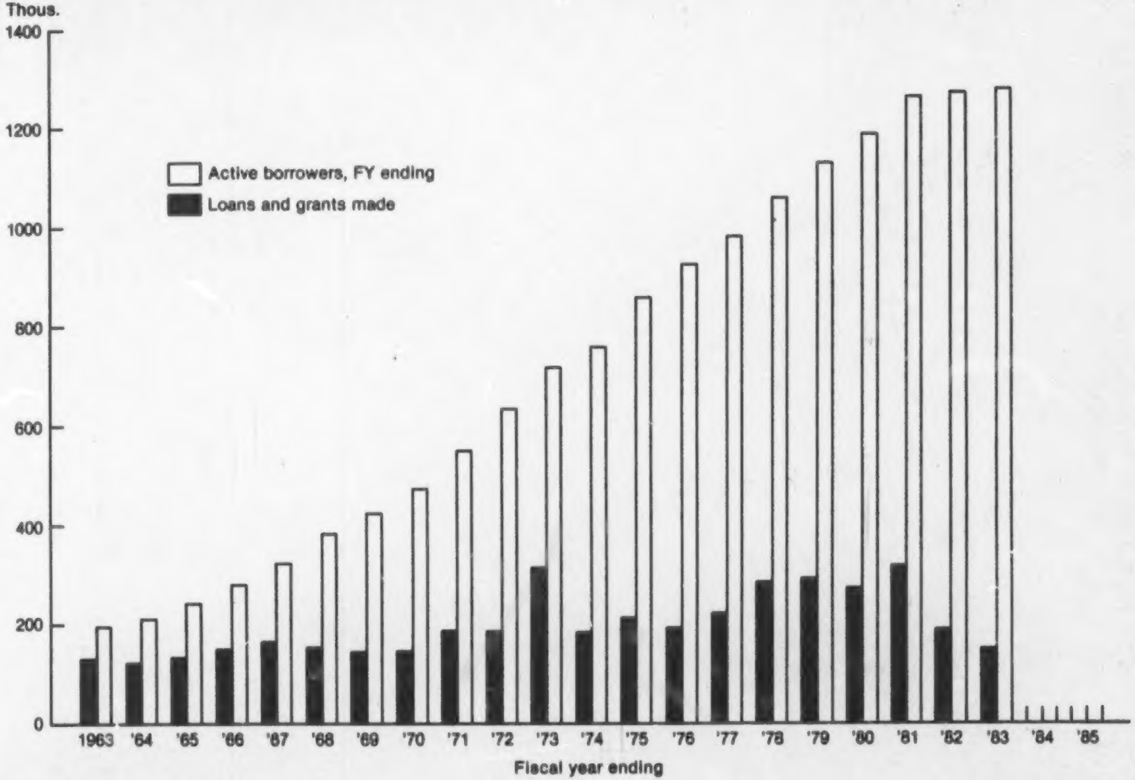
REPORT OF LOAN COLLECTION AND DEBT ADJUSTMENT ACTIVITIES DURING YEAR

Fiscal Year	Principal Repayments (Millions)	Principal Charge Offs and Judgments (Millions)	Interest Payments (Millions)
1963	$ 349.1	$ 5.8	$ 67.9
1964	388.9	7.0	84.9
1965	413.7	4.8	99.7
1966	502.6	4.9	118.6
1967	503.4	17.9	145.7
1968	539.9	12.5	182.6
1969	599.2	16.1	222.9
1970	610.5	13.7	259.1
1971	671.6	33.8	344.8
1972	859.2	26.3	415.4
1973	1,045.0	19.7	497.9
1974	1,247.1	22.2	589.2
1975	1,244.2	18.5	704.1
1976	1,404.5	9.2	824.6
1977	2,753.6	21.9	1,251.7
1978	2,725.5	14.3	1,268.3
1979	3,173.3	16.5	1,543.1
1980	3,418.9	15.6	1,983.3
1981	4,325.4	6.9	2,522.6
1982	4,838.2	29.8	2,873.1
1983	4,943.8	43.3	2,960.5

(Table 2)

(Chart 3)

Total Active Borrowers; Annual Loans Made



*Guaranteed Loans not included. **Estimated.

FmHA STATISTICS

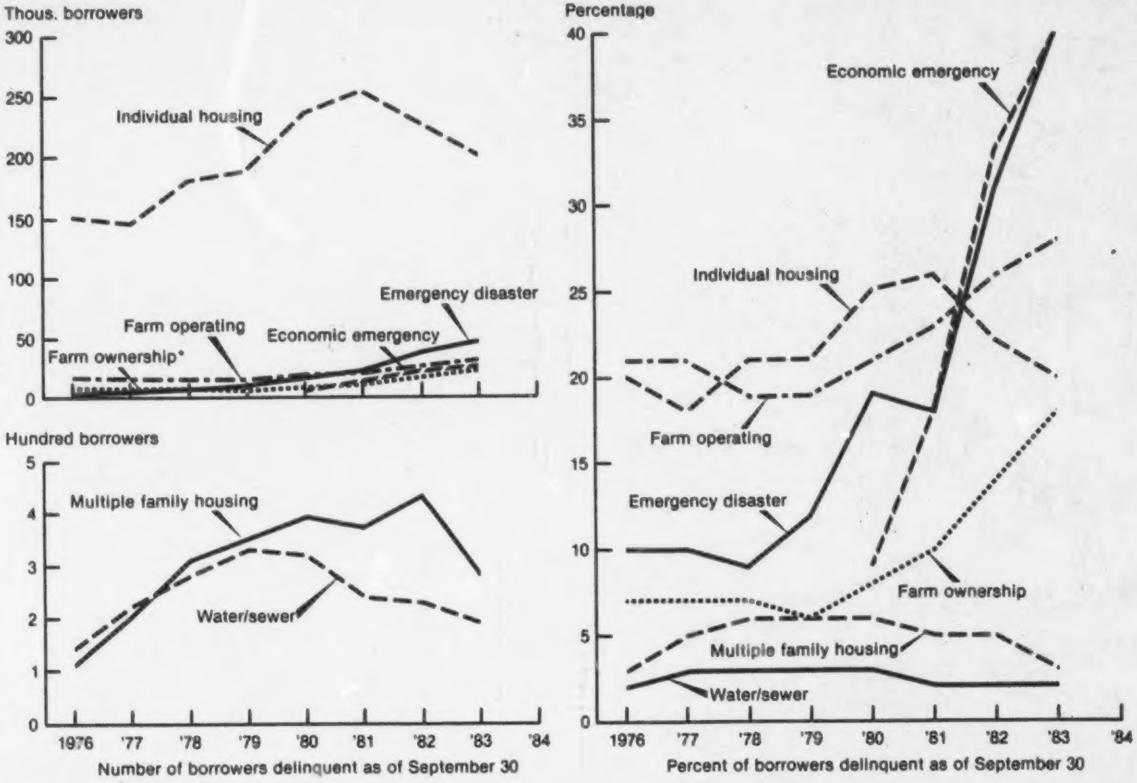
	Number of Active Borrowers as of end of Fiscal Year*			Total Number of Loans & Grants Made
	Indiv.	Assoc.	Total	
1963	198,089	543	198,632	134,172
1964	212,420	788	213,208	127,013
1965	241,790	1,265	243,055	138,020
1966	280,098	2,302	282,400	155,889
1967	324,418	3,909	328,327	169,630
1968	377,857	5,088	382,945	155,521
1969	418,167	6,233	424,400	148,414
1970	470,267	6,973	477,240	149,407
1971	548,143	7,556	555,699	191,913
1972	627,744	8,151	635,895	190,188
1973	710,980	8,705	719,653	318,587
1974	750,421	9,000	759,421	189,437
1975	844,527	9,997	854,524	216,852
1976	908,723	11,317	920,040	197,949
1977	967,066	12,945	980,011	222,684
1978	1,040,207	14,412	1,054,619	283,696
1979	1,108,353	16,173	1,124,526	294,890
1980	1,167,006	18,235	1,185,241	274,990
1981	1,228,277	19,929	1,248,206	319,045
1982	1,250,433	21,834	1,272,206	190,555
1983	1,252,449	23,271	1,275,720	153,561

* Guaranteed Loans not included

(Table 3)

(Chart 4)

Major FmHA Programs



*Includes nonfarm enterprise loans.

BORROWERS DELINQUENT, MAJOR LOAN PROGRAMS, BY NUMBER AND PERCENTAGE AS OF SEPTEMBER 30

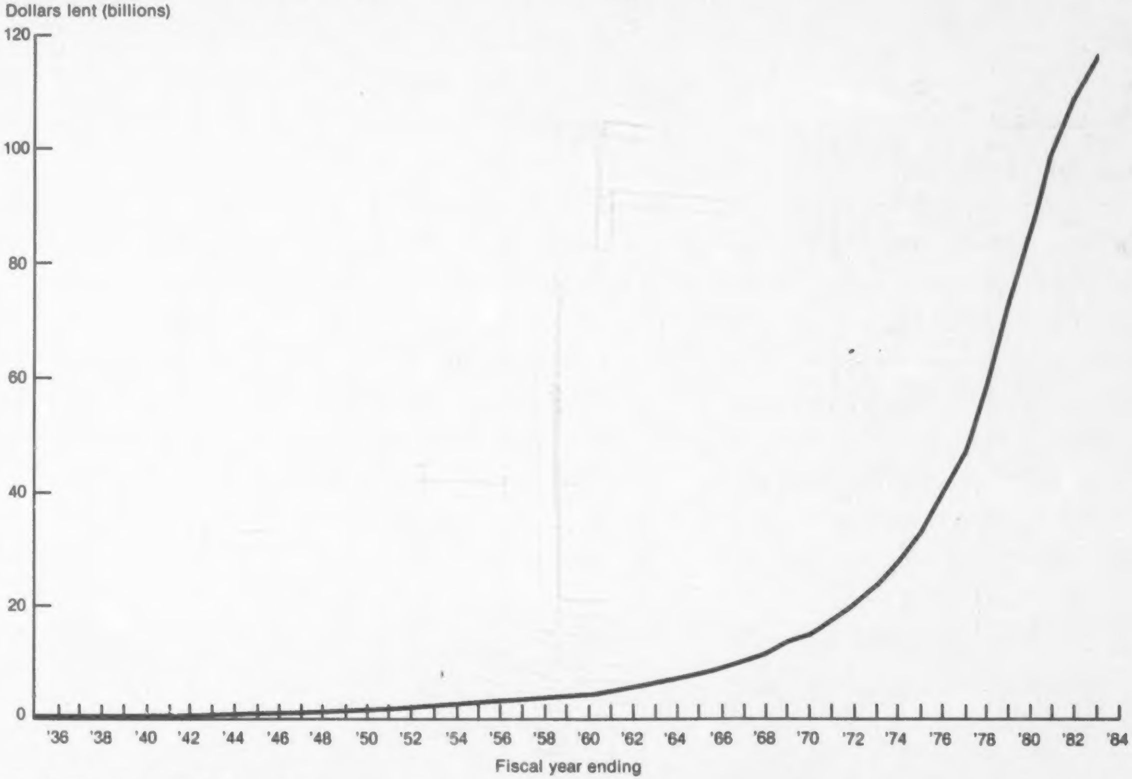
	1976		1977		1978		1979		1980		1981		1982		1983	
Program	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Farm Ownership*	7,966	7	7,685	7	7,741	7	6,936	6	9,209	8	11,711	10	17,068	14	22,090	18
Farm Operating	16,830	21	16,216	21	15,247	19	15,020	19	18,248	21	21,442	23	26,511	26	31,355	28
Emergency Disaster	4,093	10	5,015	10	7,620	9	10,934	12	17,296	19	22,338	18	38,556	31	46,714	40
Economic Emergency	--	--	--	--	--	--	--	--	5,560	9	12,509	18	21,514	33	25,049	40
Individual Housing	150,060	20	144,870	18	179,526	21	187,094	21	235,406	25	253,986	26	226,550	22	201,902	20
Multiple Family Housing	115	3	203	5	311	6	352	6	393	6	373	5	434	5	288	3
Water and Waste Disposal	147	2	225	3	287	3	333	3	321	3	243	2	232	2	192	2

*Includes nonfarm enterprise loans.

(Table 4)

(Chart 5)

Cumulative Dollars Lent, Grants Administered



Note: Amounts will not equal due to rounding.

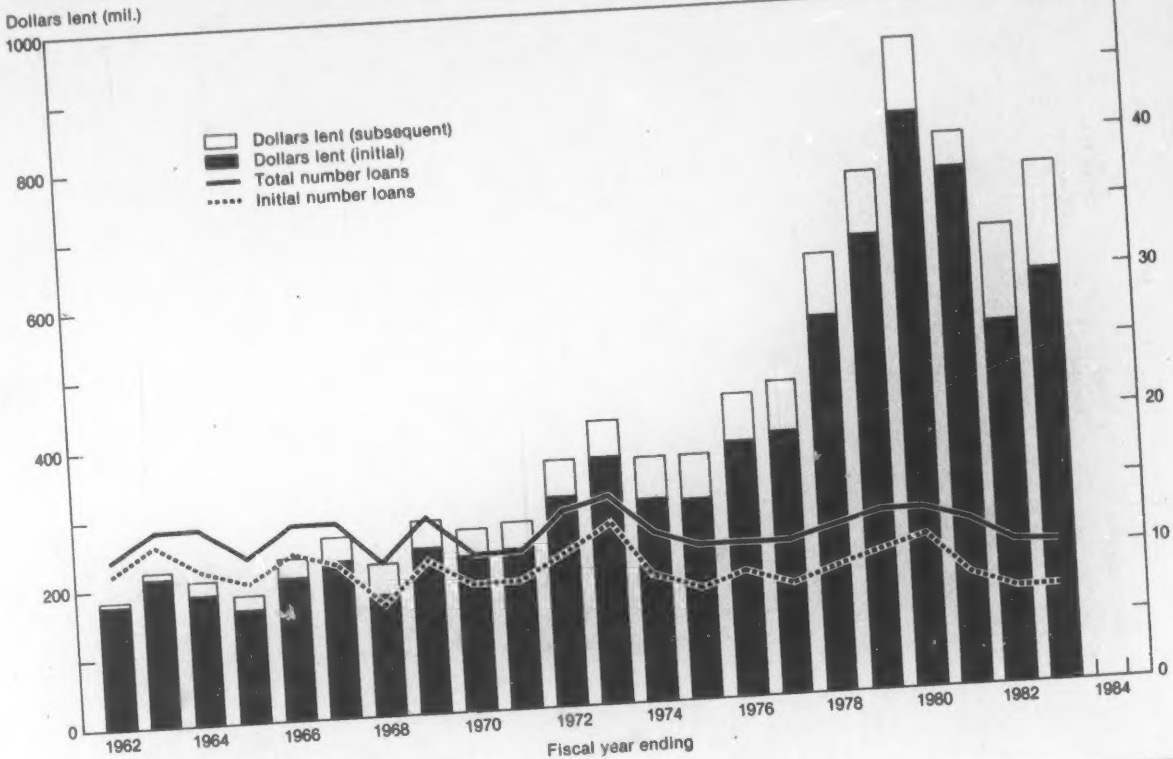
Dollars Loaned and Grants Administered (Cumulative)

	Farm (Thousand)	Housing (Thousand)	Community (Thousand)	Farm Housing Community (Thousand)
1935	676			676
1936	76,964			76,964
1937	152,466			152,466
1938	232,770			232,770
1939	376,552			376,552
1940	511,576		2	511,578
1941	677,655		56	677,711
1942	854,019		134	854,153
1943	988,046		149	988,195
1944	1,082,514		149	1,082,663
1945	1,167,454		232	1,167,686
1946	1,295,580		381	1,295,961
1947	1,445,061		501	1,445,562
1948	1,528,128		661	1,528,789
1949	1,646,632		754	1,647,386
1950	1,809,284	18,161	1,013	1,828,457
1951	1,961,699	42,253	1,563	2,005,515
1952	2,152,421	63,408	1,961	2,217,789
1953	2,360,918	82,765	2,800	2,446,484
1954	2,636,422	98,833	3,676	2,738,932
1955	2,928,478	98,833	4,863	3,032,174
1956	3,231,423	102,554	5,835	3,339,812
1957	3,565,721	123,845	6,542	3,696,108
1958	3,861,819	156,911	7,540	4,026,270
1959	4,159,454	217,585	10,859	4,387,899
1960	4,426,742	258,321	11,707	4,696,771
1961	4,746,439	328,662	17,353	5,092,454
1962	5,273,854	425,160	30,856	5,729,870
1963	5,864,145	612,900	49,010	6,526,054
1964	6,428,571	750,243	95,034	7,273,848
1965	7,026,754	885,206	161,965	8,073,925
1966	7,692,062	1,153,755	316,793	9,162,610
1967	8,402,694	1,596,875	554,130	10,553,698
1968	9,040,063	2,089,911	781,816	11,911,789
1969	9,740,957	2,602,000	1,000,757	13,343,714
1970	10,383,687	3,395,835	1,203,942	14,983,463
1971	11,079,895	4,794,932	1,522,952	17,397,779
1972	11,898,367	6,413,709	1,875,510	20,187,585
1973	13,330,329	8,277,018	2,335,172	23,942,520
1974	14,353,648	10,070,346	3,120,000	27,543,994
1975	16,362,179	12,315,226	4,352,679	33,030,084
1976	18,187,039	14,840,862	5,412,773	38,440,675
1976 + TQ	18,561,883	15,751,596	5,907,085	40,220,565
1977	20,994,914	18,897,401	7,583,784	47,476,099
1978	25,990,776	22,658,749	9,937,676	58,587,201
1979	33,696,244	26,945,340	12,547,252	73,188,836
1980	40,045,519	31,166,003	15,065,002	86,276,524
1981	48,119,358	35,109,573	17,022,630	100,251,561
1982	52,233,221	38,995,501	17,801,056	109,029,778
1983	55,303,948	42,102,223	18,938,102	116,344,273

NOTE: Amounts will not equal due to rounding. (Table 5)

(Chart 6)

Farm Ownership Loans, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

FARM OWNERSHIP LOAN PROGRAM
Number of Loans and Dollars Lent*

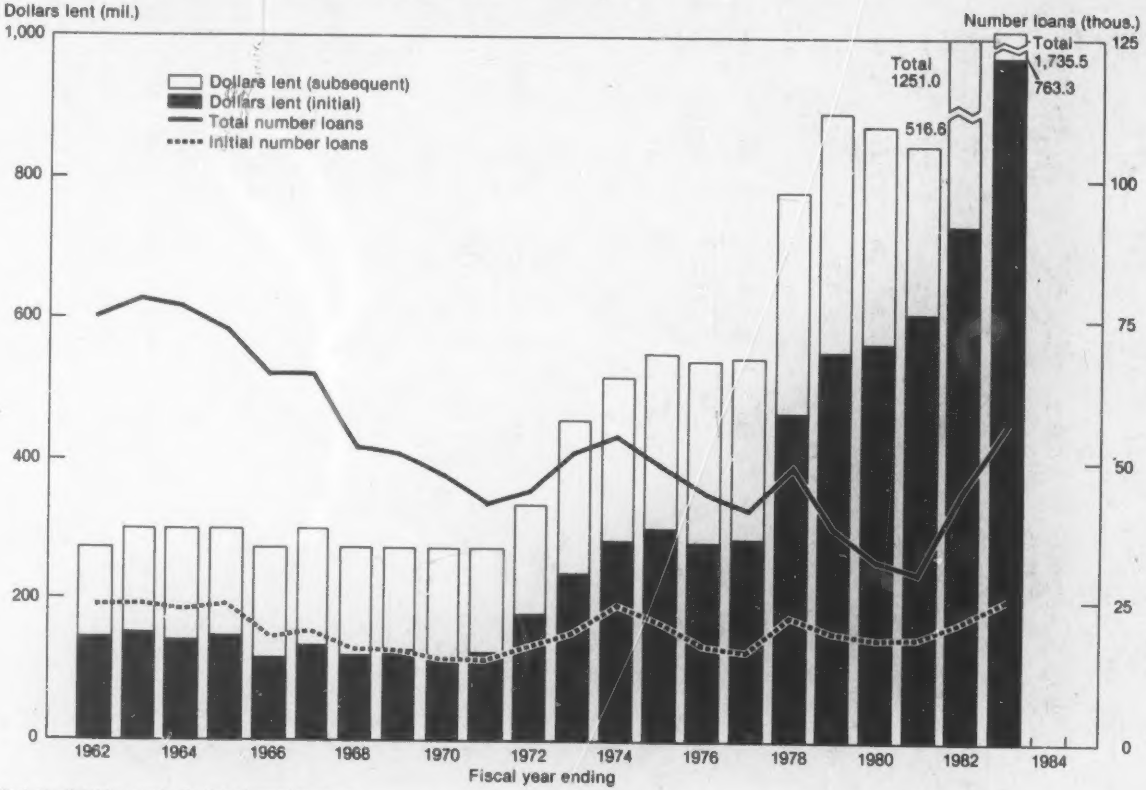
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	13,286	$212,200,471	1,121	$ 9,555,527	14,407	$221,755,998
1964	11,061	184,899,960	2,497	21,381,410	13,558	206,281,370
1965	9,885	162,295,970	2,301	20,295,320	12,186	182,591,290
1966	11,532	205,806,910	2,747	27,430,513	14,279	223,237,423
1967	11,101	226,587,210	2,886	33,412,389	13,987	259,999,599
1968	8,403	176,289,150	2,411	28,709,744	10,814	204,998,894
1969	10,525	237,047,040	3,177	40,073,052	13,702	277,120,092
1970	8,644	222,949,520	2,841	38,547,055	11,491	261,496,575
1971	8,522	230,560,910	2,434	37,875,258	10,956	268,436,168
1972	10,718	302,220,690	3,037	53,541,329	13,755	355,762,019
1973	12,593	356,058,150	2,899	52,059,220	15,492	408,117,370
1974	8,728	291,482,260	3,269	60,679,170	11,997	352,161,430
1975	7,550	286,608,341	3,048	65,024,420	10,598	351,632,761
1976	8,583	367,204,570	2,788	67,800,228	11,371	435,004,798
1977	8,353	378,916,850	2,769	72,323,130	11,122	451,239,980
1978	9,384	474,266,230	2,631	76,580,270	12,015	550,846,500
1979	10,179	667,699,570	2,389	95,465,200	12,568	768,164,770
1980	10,616	842,738,150	2,356	111,313,930	12,972	954,052,080
1981	9,014	588,163,820	2,839	125,121,290	11,853	813,285,110
1982	6,821	520,994,148	3,409	140,609,190	10,230	661,603,338
1983	6,902	593,863,120	3,296	155,716,260	10,198	749,579,380

* Includes Direct Loan Costs
Excludes Insured Loan Costs

(Table 6)

(Chart 7)

Farm Operating Loans, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan cost.

FARM OPERATING LOAN PROGRAM
Number of Loans and Dollars Lent*

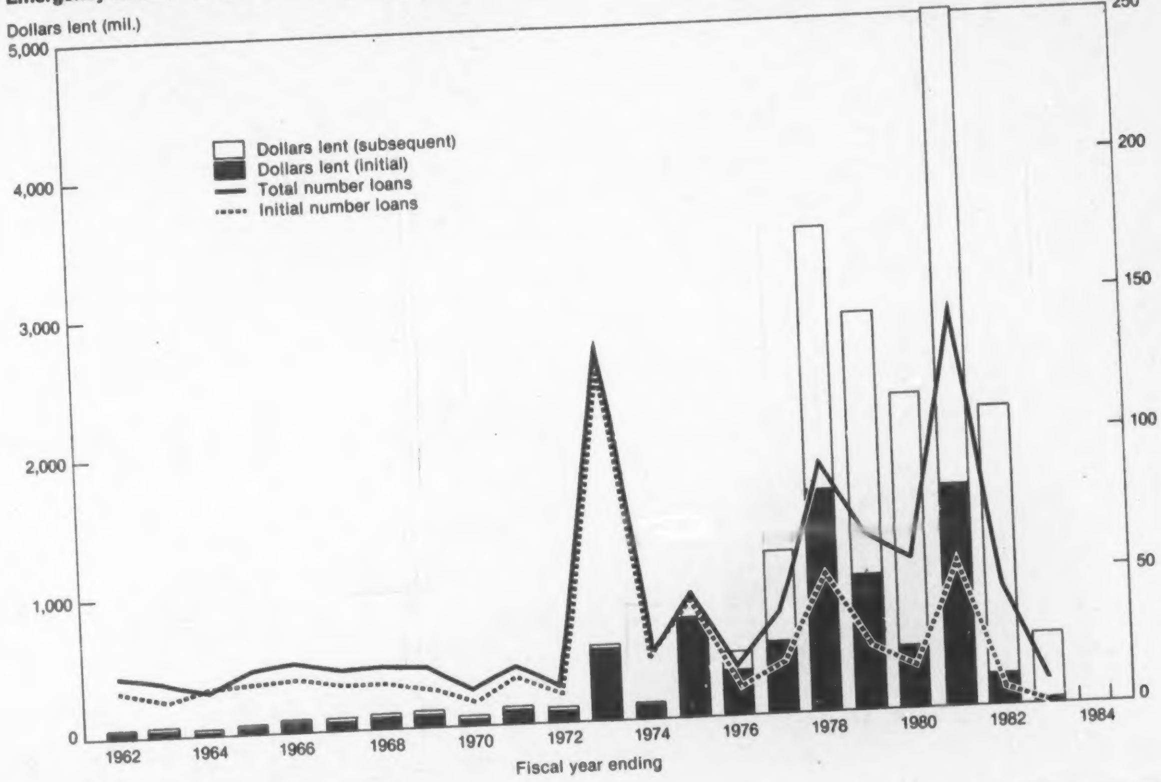
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	23,770	$149,776,720	54,222	$150,223,280	77,992	$ 300,000,000
1964	22,939	139,637,260	53,672	160,362,740	76,611	300,000,000
1965	24,127	146,510,340	48,470	153,489,660	72,597	300,000,000
1966	18,255	115,620,870	46,488	159,379,130	64,743	275,000,000
1967	18,893	131,918,850	46,006	168,081,150	64,899	300,000,000
1968	15,784	119,917,490	36,537	155,082,510	52,321	275,000,000
1969	16,234	127,094,340	34,577	147,905,630	50,811	274,999,970
1970	14,247	114,416,920	32,410	160,583,048	46,657	274,999,968
1971	13,635	125,499,360	28,545	149,500,631	42,180	274,999,991
1972	16,649	181,229,350	27,196	156,056,468	43,845	337,285,818
1973	19,172	237,329,750	31,808	217,314,627	50,980	454,644,377
1974	23,965	282,416,201	29,900	242,577,627	53,865	524,993,821
1975	20,560	302,266,678	28,694	248,520,072	49,254	550,786,750
1976	17,172	279,529,768	26,876	259,687,665	44,048	539,217,433
1977	15,709	283,770,260	24,830	258,573,030	40,539	542,343,290
1978	22,176	466,642,040	27,238	313,985,760	49,414	780,627,800
1979	19,079	552,541,730	18,863	342,212,170	37,942	894,753,900
1980	17,568	565,596,300	14,643	309,232,700	32,211	874,829,000
1981	18,157	605,727,550	11,681	241,875,810	29,838	847,603,360
1982	21,310	734,338,846	23,609	516,669,953	44,919	1,251,008,799
1983	25,108	972,214,470	31,452	763,332,830	56,560	1,735,547,300

* Includes Direct Loan Costs
Excludes Insured Loan Costs

(Table 7)

(Chart 8)

Emergency Loans, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan cost.

EMERGENCY LOAN PROGRAM
Number of Loans and Dollars Lent*

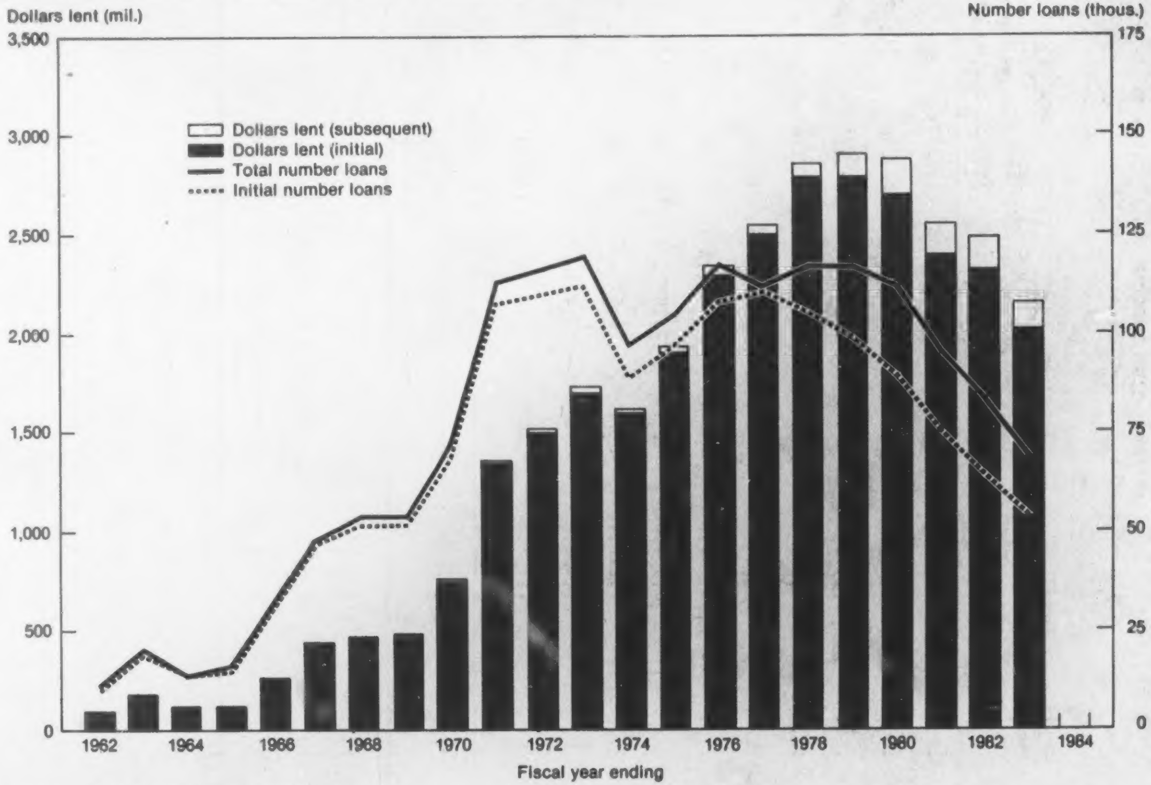
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	13,447	$ 45,421,785	5,897	$ 17,057,454	19,344	$ 62,479,239
1964	10,357	33,263,300	4,945	16,934,483	15,302	50,197,783
1965	16,743	60,183,375	5,547	18,263,786	22,290	78,447,161
1966	18,273	77,420,090	6,098	23,069,241	24,371	100,489,331
1967	15,765	66,425,255	6,409	28,197,013	22,174	94,622,268
1968	16,124	77,528,270	6,104	30,646,155	22,228	108,174,425
1969	13,509	75,427,940	7,177	39,288,213	20,686	114,716,153
1970	7,800	56,364,080	4,978	33,066,080	12,778	89,430,160
1971	16,025	101,216,425	3,779	26,419,481	19,804	127,635,906
1972	9,716	83,420,630	3,263	25,491,179	12,979	108,911,809
1973	124,783	527,727,353	3,884	30,039,242	128,667	557,766,595
1974	22,016	117,361,657	418	10,975,112	22,434	128,336,769
1975	42,976	722,263,783	699	12,756,754	43,675	735,020,537
1976	11,880	321,395,514	4,998	156,316,305	16,878	447,711,819
1977	16,666	515,709,080	19,103	662,678,900	35,769	1,178,387,980
1978	48,166	1,558,223,570	40,953	1,853,584,630	89,119	3,411,808,200
1979	24,838	970,026,080	38,075	1,901,615,680	62,913	2,871,641,760
1980	16,127	473,962,490	38,267	1,792,927,830	54,394	2,266,890,320
1981	51,871	1,550,820,070	87,119	3,561,470,360	138,990	5,112,290,430
1982	6,101	222,528,630	36,762	1,950,883,570	42,863	2,173,412,200
1983	1,027	43,478,210	7,744	522,459,290	8,771	565,937,500

* Includes Direct Loan Costs
Excludes Insured Loan Cost

(Table 8)

(Chart 9)

Rural Housing Loans to Individuals, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan cost.

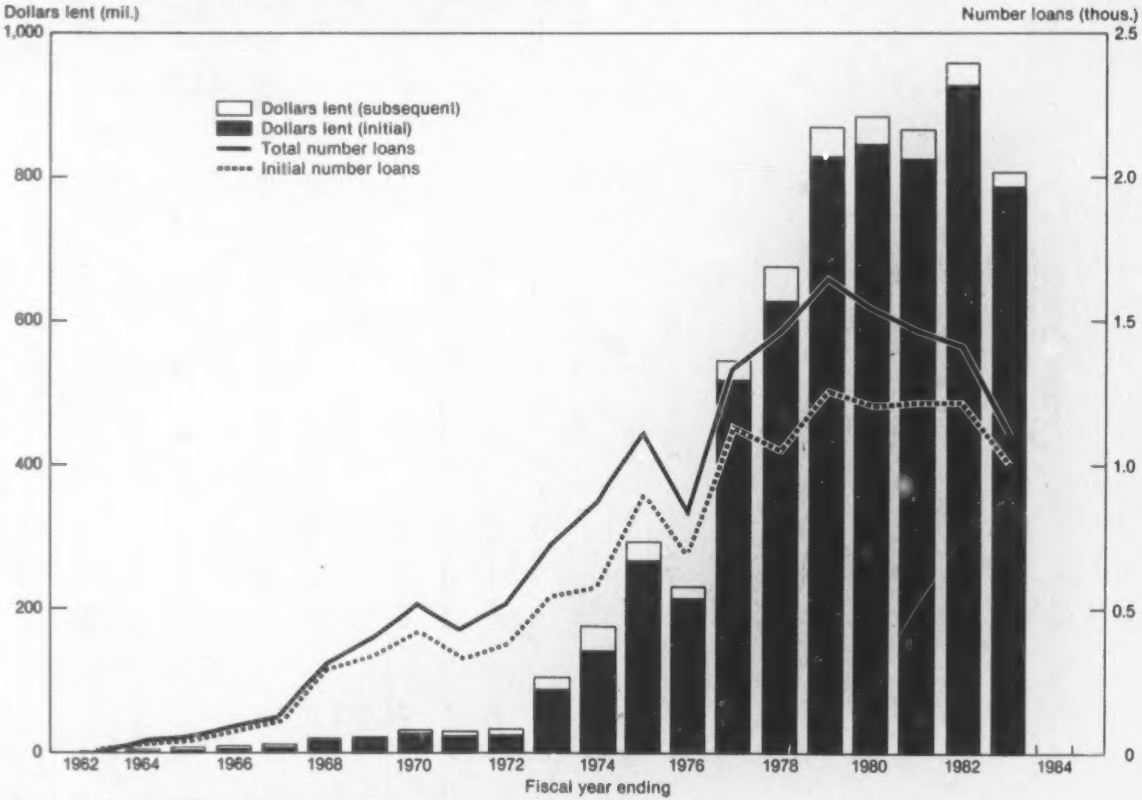
RURAL HOUSING 502 and 504 LOANS TO INDIVIDUALS
Number of Loans and Dollars Lent*

	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	19,164	184,265,722	694	2,106,004	19,858	186,371,726
1964	13,802	128,876,270	576	1,610,384	14,378	130,486,654
1965	15,177	129,343,600	591	1,632,387	15,768	130,975,987
1966	30,908	255,558,560	1,121	3,061,551	32,029	258,620,111
1967	46,879	425,604,835	1,558	4,527,934	48,437	430,132,769
1968	51,970	468,185,434	2,357	5,479,564	54,327	437,664,998
1969	51,560	480,363,630	2,878	5,857,314	54,438	486,220,944
1970	69,423	750,919,400	3,928	10,677,131	73,351	761,596,531
1971	108,188	1,353,830,290	5,276	13,937,662	113,464	1,376,767,952
1972	110,097	1,549,571,250	5,888	17,048,825	115,985	1,566,620,075
1973	111,779	1,712,380,440	8,004	27,875,832	119,783	1,740,256,272
1974	88,728	1,569,628,860	8,278	24,684,069	97,006	1,594,312,929
1975	96,688	1,903,281,940	8,382	28,169,930	105,070	1,931,451,870
1976	107,514	2,256,680,464	9,544	35,892,200	117,058	2,292,572,664
1977	110,543	2,528,014,600	11,534	48,612,460	122,136**	2,576,675,030**
1978	104,869	2,778,813,490	12,000	56,578,350	117,382**	2,703,242,438**
1979	98,987	2,778,813,490	17,423	114,040,970	117,206**	2,893,558,790**
1980	89,181	2,687,208,580	21,709	178,072,090	112,391**	2,866,530,690**
1981	75,002	2,446,551,790	18,212	160,648,300	94,895**	2,608,876,334**
1982	64,728	2,323,295,534	17,319	163,164,721	83,614**	2,488,262,514**
1983	53,913	2,013,224,690	13,842	130,977,150	68,727**	2,145,352,859**

* Includes Direct Loan Costs (Table 9)
Excludes Insured Loan Cost
** Includes 59 Weatherization Loans for 47,970 in FY 1977.
Includes 513 Weatherization Loans for 447,828 in FY 1978.
Includes 796 Weatherization Loans for 704,330 in FY 1979.
Includes 1,501 Weatherization Loans for 1,250,020 in FY 1980.
Includes 1,681 Weatherization Loans for 1,676,244 in FY 1981.
Includes 1,567 Weatherization Loans for 1,802,259 in FY 1982.
Includes 972 Weatherization Loans for 1,151,019 in FY 1983.

(Chart 10)

Rural Rental Housing Loans, Number of Loans, Dollars Lent*



*Includes direct loan costs. Excludes insured loan cost.

RURAL RENTAL HOUSING PROGRAM
Number of Loans and Dollars Lent*

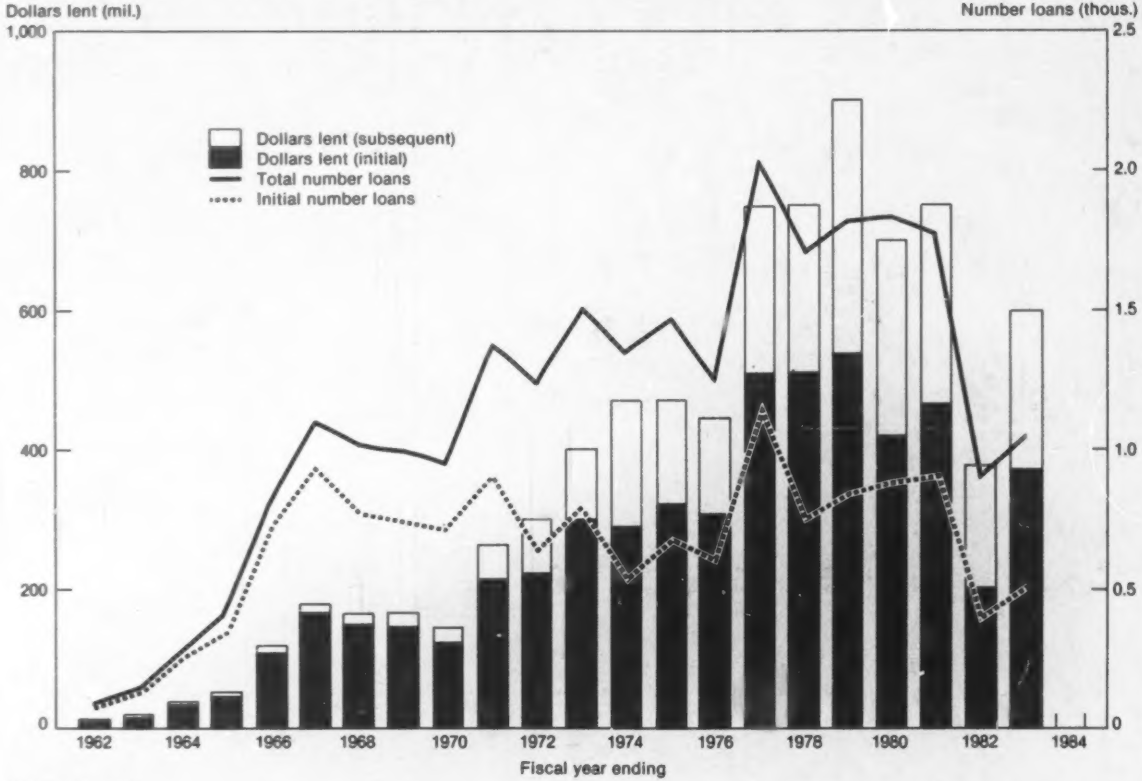
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	2	$ 117,000	--	--	2	$ 117,000
1964	21	1,148,600	1	$ 18,000	22	1,166,600
1965	32	1,787,530	3	230,000	35	2,017,530
1966	76	4,165,770	5	141,400	81	4,307,170
1967	99	5,314,350	11	175,380	110	5,489,730
1968	276	12,427,010	21	748,890	297	13,175,900
1969	329	15,351,280	61	1,983,220	390	17,334,500
1970	412	24,148,230	98	4,292,510	510	28,440,740
1971	325	21,012,400	97	5,776,290	422	26,788,690
1972	372	21,502,910	143	8,614,970	515	40,117,880
1973	546	87,886,880	184	17,175,750	730	105,062,630
1974	562	140,663,110	317	32,650,920	879	173,314,030
1975	903	267,036,590	205	25,319,750	1,153	292,356,340
1976	685	213,992,470	153	17,209,680	838	231,202,150
1977	1,114	518,017,210	222	26,936,970	1,336	544,954.180
1978	1,056	627,442,260	410	48,502,290	1,466	675,944,550
1979	1,247	827,894,470	398	41,614,090	1,645	869,508,560
1980	1,204	841,524,090	335	39,812,050	1,539	881,336,140
1981	1,213	825,921,420	253	38,843,810	1,466	864,765,230
1982	1,220	928,339,980	208	25,327,740	1,428	953,667,720
1983	1,043	783,730,240	152	18,267,160	1,195	801,997,400

* Includes Direct Loan Costs
Excludes Insured Loan Cost

(Table 10)

(Chart 11)

Water Waste Disposal Loans, Number of Loans, Dollars Lent*



*Includes loan costs.

WATER AND WASTE DISPOSAL LOAN PROGRAM
Number of Loans and Dollars Lent*

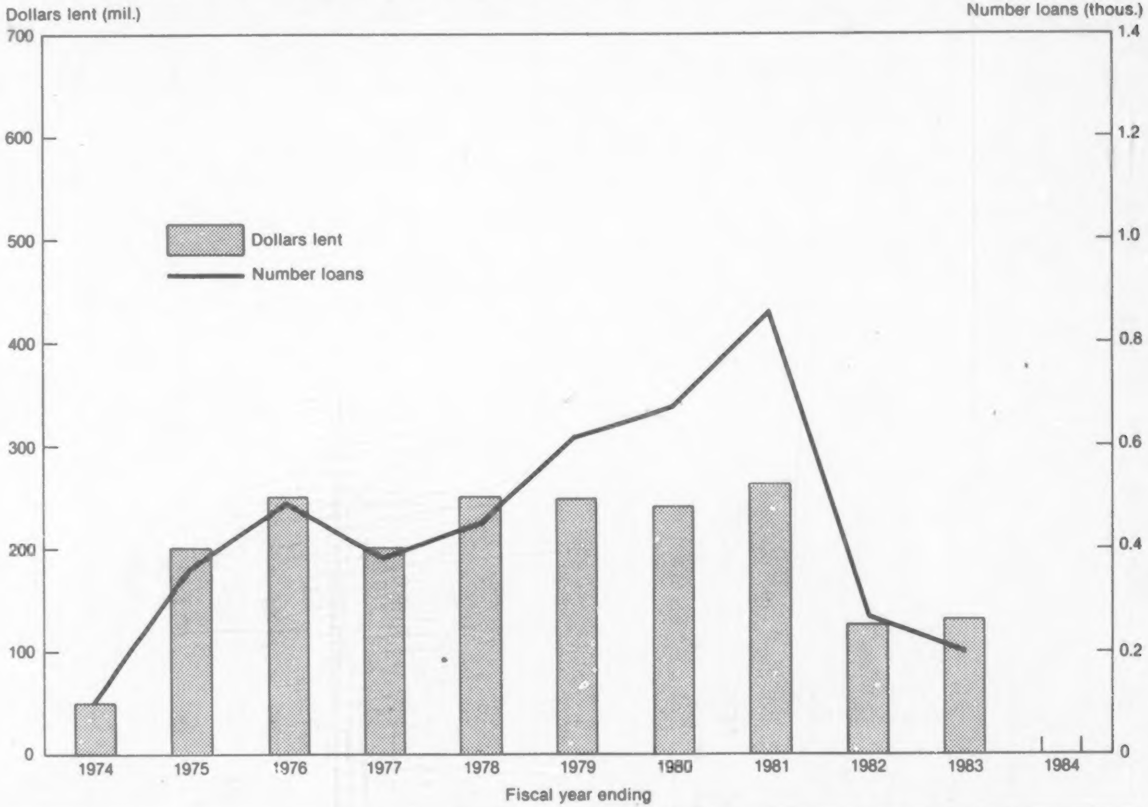
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	69	$ 9,940,500	12	$ 230,500	81	$ 10,121,000
1963	114	13,876,565	21	864,130	135	14,740,695
1964	239	32,876,590	32	1,130,220	271	34,006,810
1965	324	47,982,510	70	2,406,970	394	50,389,480
1966	705	107,889,768	96	4,913,020	801	112,802,788
1967	915	165,206,014	174	9,967,165	1,089	175,173,179
1968	775	149,802,640	241	12,789,710	1,016	162,592,350
1969	739	147,036,310	242	17,610,850	981	164,647,160
1970	647	123,183,450	294	22,847,040	941	146,030,490
1971	899	213,092,800	468	48,611,100	1,367	261,703,900
1972	631	220,777,500	595	79,221,500	1,226	299,999,000
1973	768	300,182,500	734	99,812,300	1,502	399,994,800
1974	546	288,354,157	779	181,644,943	1,325	469,999,100
1975	658	320,188,646	793	149,798,300	1,451	469,986,946
1976	597	308,206,748	648	134,435,086	1,245	442,641,834
1977	1,097	508,238,060	951	240,612,370	2,048	748,850,430
1978	756	509,133,100	946	240,862,700	1,702	749,995,800
1979	823	537,351,830	979	362,648,090	1,802	899,999,920
1980	869	418,664,010	956	281,335,690	1,825	699,999,700
1981	892	466,061,480	876	283,938,500	1,768	749,999,980
1982	423	202,338,450	505	172,661,550	928	375,000,000
1983	558	370,751,900	626	229,248,100	1,184	600,000,000**

* Includes Loan Costs.
** Includes $225,000,000 under the Emergency Jobs Bill in FY 1983.

(Table 11)

(Chart 12)

Community Facility Loans, Numbers of Loans, Dollars Lent



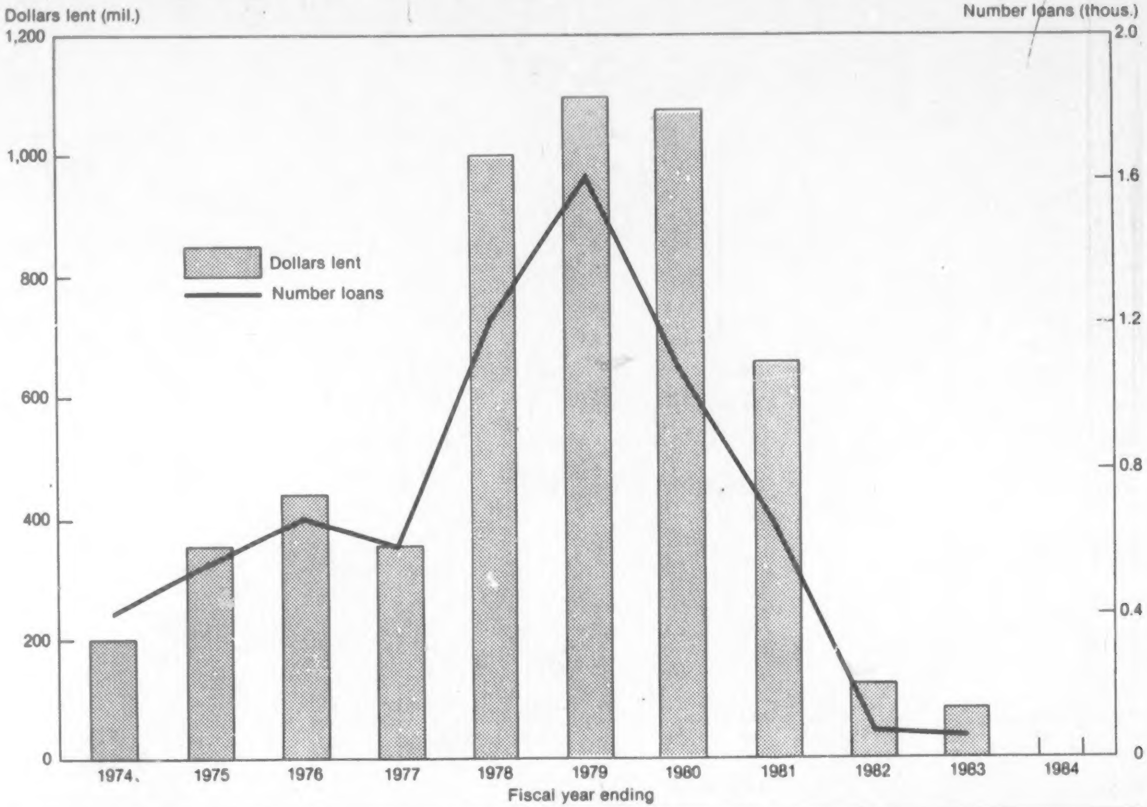
COMMUNITY FACILITY LOAN PROGRAM
Number of Loans and Dollars Lent

Fiscal Year	Number	Amount
1974	102	$ 49,830,700
1975	359	199,998,000
1976 & T.Q.	485	249,995,600
1977	382	199,980,800
1978	447	249,997,000
1979	615	246,998,620
1980	674	240,000,000
1981	862	260,000,000
1982	267	126,191,250
1983	208	130,000,000

(Table 12)

(Chart (13)

Business and Industrial Loans, Number of Loans, Dollars Lent



BUSINESS AND INDUSTRIAL DEVELOPMENT LOAN PROGRAM
Number of Loans and Dollars Lent

Fiscal Year	Number	Amount
1974	399	$ 199,980,545*
1975	538	349,994,173*
1976 & T.Q.	663	437,498,741*
1977	584	349,987,010*
1978	1,213	999,978,030*
1979	1,609	1,097,376,903**
1980	1,160	1,073,766,920***
1981	638	652,280,250***
1982	74	125,077,575***
1983	64	81,911,810***

* Amount obligated is based on total amounts shown on face of note for all guaranteed loans.

** Amount obligated based on 90% guarantee rate of the loan.

*** Amount obligated based on actual percentage of guarantee of total loan.

(Table 13)

FmHA State Office Locations

ALABAMA
Room 717, Aronov Building
474 South Court Street
Montgomery, Alabama 36104

ALASKA
Post Office Box 1289
Palmer, Alaska 99645

ARIZONA
Room 3433, Federal Building
230 North First Avenue
Phoenix, Arizona 85025

ARKANSAS
Rm. 5529, Federal Building
700 West Capitol, P.O. Box 2778
Little Rock, Arkansas 72203

CALIFORNIA
459 Cleveland Street
Woodland, California 95695

COLORADO
Room 231, #1 Diamond Plaza
2490 West 26th Avenue
Denver, Colorado 80211

DELAWARE, DISTRICT OF COLUMBIA, MARYLAND
2319 South DuPont Highway
Dover, Delaware 19901

FLORIDA
Room 212, Federal Building
401 S.E. 1st Avenue, P.O. Box 1088
Gainesville, Florida 32602

GEORGIA
Stephens Federal Building
355 East Hancock Avenue
Athens, Georgia 30601

HAWAII
Room 311, Federal Building
Waianuenue Avenue
Hilo, Hawaii 96720

IDAHO
Room 429, Federal Building
304 N. Eighth Street
Boise, Idaho 83702

ILLINOIS
2106 W. Springfield Avenue
Champaign, Illinois 61821

INDIANA
Suite 1700
5610 Crawfordsville Road
Indianapolis, Indiana 46224

IOWA
Room 873, Federal Building
210 Walnut Street
Des Moines, Iowa 50309

KANSAS
Rm. 176, Federal Building
444 SE. Quincy Street
Topeka, Kansas 66683

KENTUCKY
333 Waller Avenue
Lexington, Kentucky 40504

LOUISIANA
3727 Government Street
Alexandria, Louisiana 71302

MAINE
USDA Office Building
Orono, Maine 04473

MASSACHUSETTS, CONNECTICUT, RHODE ISLAND
451 West Street
Amherst, Massachusetts 01002

MICHIGAN
Room 209, Manly Miles Building
1405 South Harrison Road
East Lansing, Michigan 48823

MINNESOTA
252 Federal Office Building &
U.S. Courthouse, 316 North Robert Street
St. Paul, Minnesota 55101

MISSISSIPPI
Room 831, Federal Building
Jackson, Mississippi 39269

MISSOURI
555 Vandiver Drive
Columbia, Missouri 65202

MONTANA
Rm. 234, Federal Building
P.O. Box 850
Bozeman, Montana 59715

NEBRASKA
Room 308, Federal Building
100 Centennial Mall North
Lincoln, Nebraska 68508

NEW JERSEY
Mercer Corporate Park
Robbinsville, New Jersey 08691

NEW MEXICO
Room 3414, Federal Building
517 Gold Avenue, SW.
Albuquerque, New Mexico 87102

NEW YORK, VIRGIN ISLANDS
Room 871
James M. Hanley Federal Building
100 South Clinton Street
Syracuse, New York 13260

NORTH CAROLINA
Room 525
310 New Bern Avenue
Raleigh, North Carolina 27601

NORTH DAKOTA
Room 208, Federal Building
Third and Rosser, P.O. Box 1737
Bismarck, North Dakota 58502

OHIO
Federal Building, Room 507
200 North High Street
Columbus, Ohio 43215

OKLAHOMA
USDA Agricultural Center Bldg.
Stillwater, Oklahoma 74074

OREGON
Rm. 1590 Federal Building
1220 SW. 3rd Avenue
Portland, Oregon 97204

PENNSYLVANIA
Federal Building, Room 728
P.O. Box 905
Harrisburg, Pennsylvania 17108

PUERTO RICO
Rm. 621, Federal Building
GPO Box 6106-G
San Juan, Puerto Rico 00918

SOUTH CAROLINA
Rm. 1007, Strom Thurmond Federal Building
1835 Assembly Street
Columbia, South Carolina 29201

SOUTH DAKOTA
Huron Federal Building, Room 308
200 4th Street, SW.
Huron, South Dakota 57350

TENNESSEE
538 Federal Building and U.S. Court House
801 Broadway
Nashville, Tennessee 37203

TEXAS
Suite 102, Federal Building
101 South Main
Temple, Texas 76501

UTAH, NEVADA
Room 5434, Federal Building
125 South State Street
Salt Lake City, Utah 84138

VERMONT, NEW HAMPSHIRE
141 Main Street
Post Office Box 588
Montpelier, Vermont 05602

VIRGINIA
Room 8217, Federal Building
400 North Eighth Street, P.O. Box 10106
Richmond, Virginia 23240

WASHINGTON
Room 319, Federal Office Bldg.
P.O. Box 2427
Wenatchee, Washington 98801

WEST VIRGINIA
Room 320, Federal Building
P.O. Box 678
Morgantown, West Virginia 26505

WISCONSIN
Suite 209, 1st Financial Plaza
1257 Main Street
Stevens Point, Wisconsin 54481

WYOMING
Room 1005, Federal Building
P.O. Box 820
Casper, Wyoming 82602

NATIONAL OFFICE
U.S. Department of Agriculture
Farmers Home Administration
Washington, D.C. 20250

STATEMENT OF ADMINISTRATOR SHUMAN

Mr. SHUMAN. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you to discuss the budget request of the Farmers Home Administration for fiscal year 1985.

If it is agreeable with you, I will highlight the major points in the budget, and then be prepared to discuss in detail any part of the document that would be of particular interest to you or any members of the committee.

The Agency ended the fiscal year with a portfolio of more than 1.9 million loans, both insured and guaranteed, approaching a total of $62 billion outstanding. The dollar total will rise to more than $68 billion in fiscal year 1985. This increase will be somewhat smaller than in recent years, reflecting the continuing commitment of this admininstration to reducing dependence of the Federal Government on the Nation's credit resources.

As we enter the fourth year of the administration, we believe this course is correct.

Everything has not gone well for all of those who produce our food and fiber, however. For many farmers, the year just ended has been one of stress and uncertainty. In addition to a lingering cost-price squeeze, a devastating drought brought severe hardship to many farmers.

To help alleviate this weather-produced hardship, Secretary Block has designated more than 1,500 counties, about one-half of the U.S. total, as eligible for FmHA emergency loans. Our county offices are in the midst of processing these loans at the present time. Secretary Block also has reduced the interest rate on those loans from 8 percent to 5 percent for the first $100,000 borrowed, if credit is not available commercially.

In addition, Farmers Home has worked with its borrowers to help those in difficulty for other reasons. At the direction of the Secretary, we have made a conscious and strenuous effort to stay with the borrowers who have tried to meet their loan commitments, even when circumstances beyond their control put them at financial risk, if it appears they have a chance of eventual success. In many cases, this means carrying them delinquent for the time being.

By using the various servicing actions available, Farmers Home was able to extend special help to 65,000 of its 271,000 farm borrowers. The actual count is 2,925 deferrals of principal and/or interest; 30,804 reschedulings or reamortizations; and 31,293 subordinations of our lien position to other lenders. In each case, it is safe to assume that the borrower could not have continued without the assistance extended.

Those borrowers who did discontinue farming for financial reasons totaled 7,529, or 2.7 percent of all FmHA farm borrowers. Put another way, more than 97 percent of the farm borrowers who began the year with us were still there when the year ended. The discontinuances included 615 foreclosures by FmHA; 742 foreclosures by other lenders; 1,392 bankruptcies; 1,486 voluntary conveyances; 627 transfers with assumptions; and 2,667 outright sales.

The special servicing actions were higher by 40 percent than in the previous year and the number of those discontinuing farming for financial reasons was more than 8 percent fewer than the year before.

I would like to mention here a court case, *Coleman* v. *Block*, with which you may be familiar. Briefly, FmHA was enjoined by Judge Bruce Van Sickle of the Federal district court in Bismarck, N. Dak., from taking certain servicing actions, including foreclosures, without written notice to the borrower of choices available before the action was undertaken. Written instructions encompassing these requirements were distributed to Agency field offices over my signature last December 20, and we have been operating with them since that time.

BUDGET HIGHLIGHTS

Mr. Chairman, for the 50th anniversary year of the Farmers Home Administration and its predecessor agencies, we are requesting a total of just under $6.5 billion. Excluding emergency lending, this is about one-fifth less than the current year's level and reflects the commitment just mentioned to reduce Federal activity in credit markets, while keeping the helping hand extended to those with no other place to turn.

It also reflects the commitment of this administration to the goal of adequate income from farming with a minimum of interference from the Government and all other outside sources. Emergency disaster lending will still be in such sums as necessary to meet unexpected situations.

For all farm programs, the budget includes just over $3.6 billion. The largest single allocation is $1.9 billion for direct farm operating loans, the greatest need for farmers and ranchers today. Another $150 million for guaranteed operating loans is included.

We have included $650 million for farm ownership loans. We believe this will meet the needs of our farmers for real estate financing.

For the rural housing programs, we have included $2.3 billion. Of this, $1.6 billion is intended for subsidized loans to low-income borrowers to purchase single-family homes.

For rental housing, we have included $690 million.

Another $116 million will provide financing for 10,500 rental assistance units, which will be used for renewal and servicing purposes.

ELIGIBILITY FOR RURAL HOUSING LOANS

Senator ANDREWS. Mr. Chairman, if I may interrupt. You talk about rural housing programs. That sounds great, and I was here when we put that into action years ago for rural people in small communities who couldn't borrow the money elsewhere in towns like Bowbells, N. Dak., or Westhope, N. Dak. You just can't get the money from savings and loan institutions to buy a house or to build a house or remodel a house, and that is why this low-interest loan program was put in.

What have you done to ensure that the intent of Congress remains intact? We hear all kinds of stories about Farmers Home making all of these loans to take care not of people who live and work in small communities, but to build up bedroom communities around the big cities. In effect, you are making these low-interest loans, rural housing loans for people who work in some of the biggest cities in the State and, in effect, to get this low-interest loan, they are making round trip travel of some 50 miles a day.

Is this really what is happening?

Mr. SHUMAN. Senator, the direction that the Agency would like to go is toward the area of financing housing in the truly rural communities.

Senator ANDREWS. I know that is the direction you want to go, and that is the lip service you give.

Mr. SHUMAN. The way we are trying to assure that is by constantly reviewing the lines that we must draw around the larger communities to make sure that they are out far enough to exclude the adjacent urban and urbanizing areas that are associated with the central urban community.

We have looked at and are now testing a different way of doing that within our present regulations. I am not sure there is a way under the present statute in which we could ever say to a person, "You cannot drive 50 or 100 miles to a job in another location," after we have extended them credit, Senator.

STATUTORY CHANGE NECESSARY

Senator ANDREWS. You are telling me there is a statutory change necessary in order to ensure that these people not only live but work in that rural community?

Mr. SHUMAN. The present statute would not allow us to deny credit because they did not work where they lived.

Senator ANDREWS. In effect, what you are telling us is that, it is a case where these Farmers Home housing loans are being used for the big city people who can't find enough credit under the other loans the Federal Government has for housing in the big cities. They are attracted by the builder in this rural community, and then they are in a position of driving 40 or 50 miles round trip to live in a rural area where they neither grew up nor have any affinity toward, just to take a chance on getting a low-interest loan from Farmers Home?

Mr. SHUMAN. From our analysis, we don't see that as a major part of the lending that we do. However, I am sure it does occur in certain situations.

Senator ANDREWS. It happens in five or six different areas in our State. You say that you need more Farmers Home Administration processing personnel to take care of the farm loans, and yet we find out in North Dakota that a lot of the hours of those people in those county offices are used up processing city loans for people who are not being taken care of by HUD—people who don't live in rural areas, don't work in rural areas, or haven't lived in rural areas before, but they are running out in the country now to live because Farmers Home is moving away from the farmer-orientation, which it has always had, to cater to the big builders.

Mr. SHUMAN. Senator, we have dealt with the time problem by prioritizing the authorities that we have by processing our farm loans first. Therefore, our farm loans will be taken care of prior to processing our housing loans. We don't have the tools to deal with the specific problem you are talking about, except to change the manner in which we draw the lines around the communities that the statute now prescribes as being too large.

Senator ANDREWS. So, in effect, you are saying that unless we hedge this funding in some way, you are powerless to stop it being used by city people who have grown up in the city, who live in the city, using it as an artificial means of finding a low-interest loan. They, therefore, would move into the countryside and use a farmer's program to take care of a city need.

Mr. SHUMAN. Or use a rural program. I am not sure our housing programs are just for farmers.

Senator ANDREWS. You are right in correcting me on that, because it was not conceived as strictly a farmers program; it was conceived for those people who grew up and who lived in a rural area and couldn't find this kind of loan money elsewhere, since the size of the community was so small.

Have you made any request to the Congress to give you some type of legislative adjustment to correct this misuse of program intent?

Mr. SHUMAN. No; we haven't, Senator.

Senator ANDREWS. Have you issued any regulations or do you feel you are able to issue regulations that would preclude this type of misuse of these funds?

Mr. SHUMAN. As I indicated earlier, the manner in which we are trying to reduce the number of times that that would occur is by the way regulations describe the line between eligible and ineligible areas——

Senator ANDREWS. That is true, if you draw that line, that radius 25 miles around the city, you might preclude housing from a small town out there to people who really want to live and have lived all their lives in that small town and work in that small town.

Mr. SHUMAN. I think, Senator, it would take some legislative action for us to deny a loan to an applicant who is going to work other than in the rural community in which he lives.

Senator ANDREWS. Unless we hedge the funds in some way.

Mr. SHUMAN. Yes; legislatively.

Senator ANDREWS. Thank you, Mr. Chairman.

Senator COCHRAN. You may proceed, Mr. Shuman.

BUDGET ESTIMATE FOR COMMUNITY PROGRAMS

Mr. SHUMAN. The budget estimate for community programs is $350 million. We are, again, proposing to terminate the business and industry guaranteed loan program in favor of private investors willing to finance worthwhile projects.

The request for salaries and expenses is approximately $3 million less than our current fiscal year 1984 level. The Agency has initiated extensive management improvements to increase operating efficiencies. We anticipate holding staff-years to the current level of 12,114. This will allow us to continue providing necessary supervision to our borrowers while protecting the Government's investment in outstanding loan balances.

The budget does not include funds for several of our smaller, limited purpose programs which have served out their usefulness or can be better handled through other means.

Mr. Chairman, this concludes the general overview. I can either go forward with a more detailed presentation of the budget or stop now and answer questions, as you would suggest.

AVAILABILITY OF OPERATING LOAN FUNDS

Senator COCHRAN. One question that comes to mind immediately, Mr. Shuman, is whether or not we have sufficient funds appropriated for the balance of this year to fully fund the operating loan program administered by Farmers Home.

Mr. SHUMAN. Mr. Chairman, we are monitoring that program very closely. At this time, we feel we do have funds to take care of the operating loan needs. As I said, we are watching it very closely and keeping track of it on a daily basis to monitor the outflow of those funds and the inflow of applications. We do feel we are going to be able to handle the application flow with our appropriated funds.

Senator COCHRAN. Last year, this committee was rather shocked with testimony at the hearing which indicated that we were running out of funds, and we didn't have enough money to make loans to farmers for the remainder of the fiscal year. Having been assured there were sufficient funds, it was an unusual position for the committee to be in.

Mr. SHUMAN. Mr. Chairman, let me point out, our projections of our funds are based on the flow of applications continuing as we see them right now, and the usage of the funds. We are just within a week of being half way through the year, and we have not utilized quite what we anticipated up to this point, as far as dollars are concerned.

We are watching it closely, and we will inform the committee immediately if we see a problem.

PROCESSING OF OPERATING LOANS

Senator COCHRAN. One thing that has come to my attention that farmers appreciate is certainty of knowledge about whether or not they will be able to obtain a loan from Farmers Home or whether they won't be able to, and to have that decision in ample time to make plans for either trying to secure financing elsewhere or revising planting season plans.

Tell me what steps the Farmers Home Administration is taking to get this kind of information to the farmers at the earliest possible date?

Mr. SHUMAN. Two approaches, Mr. Chairman, to that problem can increase our ability to respond in a more timely manner. The first approach is to encourage farmers to apply early, to come in and talk to us as soon as they can in the crop year; as early as possible after harvest of last year's crop.

A second thing that we need to do, and have been working on, is to find ways in which to shorten the time it takes to analyze the application. Right now, our processing time is much shorter than it was last year, because we have been able to request and get funds obligated through electronic means.

We are also working with our guaranteed loan program. We think the guaranteed loan program is another way in which the borrower can continue to work with his existing supplier of credit, and that relationship would not have to be interrupted because of his going to other types of credit.

We have hired about 1,000 additional employees to work in county offices, working toward reducing the processing time and getting the word to farmers earlier.

So I think, Senator, we need to continue to work in all those areas, which will be helpful in accomplishing a more timely response.

ECONOMIC EMERGENCY LOAN FUNDS

Senator COCHRAN. How many dollars are being made available now for emergency loans, the EE program loans? There has been some shifting and changing by the administration of how much money is going to be available under this program. A lawsuit was filed, and a directive was issued by a court, I think, to make available more direct loan money to farmers.

What is the status of that EE program right now?

Mr. SHUMAN. The economic emergency loan program was put in place by a court order in the latter part of 1983. This directed the Agency to open the program on December 22 and run through the end of the fiscal year, or until a total amount of $600 million was utilized, whichever occurs first. The $600 million was divided by apportionment, $50 million for insured loans and $550 million for guaranteed loans. Since that first apportionment, the dollar amount has been increased for insured loans by about $7 million. We have now funded or have obligated a little over $57 million for insured economic emergency loans.

Senator COCHRAN. I have other questions about other aspects of the programs administered by Farmers Home, but I think I will defer those until later and recognize the other Senators who are here. Senator Andrews.

FMHA RURAL HOUSING PROGRAM

Senator ANDREWS. Thank you, Mr. Chairman. I just have three or four questions. The reason I brought up the rural housing program and the way it has been, shall we say, "mismanaged," is that I notice both the Grace Commission and Congressman Watkins suggested that the housing function be transferred out of the Farmers Home Administration and given to other agencies.

As far as I am concerned, this would gut the true intent of the rural housing program. How are you going to revamp your act so that you don't see yourself turned into an urban housing operation, drawing this kind of fire from the Grace Commission and from Congressman Watkins, which might, in fact, cause us to lose the very important rural housing aspects of this program?

Mr. SHUMAN. Senator, are you asking what suggestions I might have to change——

Senator ANDREWS. I am concerned. I think the rural housing program is most important. I think in a sense you have allowed it to get sandbagged by being used for the people in the urban areas who set up these satellite communities out there, which is not the original intent.

Now, because you have done that, you brought on the fire of the Grace Commission and Congressman Watkins and others, which might very well jeopardize the whole initial concept of the rural housing program. This would be disastrous to rural individuals, rural families, rural life in general.

Mr. SHUMAN. Senator, I am not an expert on the legislative history of how the statutes have been revised as far as the Farmers Home Administration's housing programs are concerned, but our authority is limited to rural areas, and our definition of what a rural area is, as I said earlier, is the only way that we have right now to deal with the problem you are referring to.

Senators Andrews. Unless you further define it to those people who not only live in rural areas but also work in rural areas, you subject yourself and the Agency you head to the kind of criticism you are getting from the Grace Commission and from Congressman Watkins. They are saying Farmers Home is going in two different directions, one as an agricultural lender and, two, as an urban housing lender. That is, as I understand, the criticism they have launched.

I am concerned about this, because I think the rural housing program is extremely important.

Mr. NAYLOR. Senator, might I comment on that for a moment?

Senator ANDREWS. Sure.

Mr. NAYLOR. We have two different issues that I think are being addressed. In the case of the Grace Commission, the issue was efficiency and management, and attempts to group various programs together under what was perceived to be the most logical order. In this instance, they recommend all housing programs be placed under the Department of Housing and Urban Development.

In the case of Congressman Watkins, his concern was that the farm lending and the nonfarm lending for rural areas be separated. What he has discussed with the Department has to do with establishing, within the Department, a separate operation to deal with the rural housing loan programs.

I share your concern that we not become simply a builder, Senator, of houses in the deep fringes of major metropolitan areas. Historically, the record has been much worse than the current one. When I served with the Agency during the Ford administration, we brought to a halt a practice of actually building homes within the city limits of Phoenix, which was, in my view, indefensible.

We are moving toward less large-scale subdivisions. We are moving toward more scattered housing, which by its very nature limits you to the rural areas. We do have a problem in that the current legislation passed in the last several years does make it difficult for the Agency to specifically exclude isolated incidences and still be fair and equitable to communities that legitimately need the housing and which are within these standard metropolitan population areas.

Senator ANDREWS. You understand where my concern lies, and you understand what we are driving at, and we welcome any suggestions you might communicate to us in how we can help you solve this problem which we perceive is out there.

Mr. NAYLOR. I would appreciate working with you on it, Senator. It is not our purpose to build housing for city areas. In fact, I think we do more damage to an individual with very low income who has a long-distance commuting cost. I can think of another instance in California where a similar situation developed, where we had very low income people commuting 40 or 50 miles each way per day. It actually caused more problems than it solved.

Senator ANDREWS. It just doesn't make sense, and it takes an awful lot of personnel hours from Farmers Home that could be used for these other purposes.

FARM FORECLOSURE PROCEDURES

Another subject in your statement, Mr. Shuman, you talk about being enjoined by the district court to make sure you don't foreclose without giving prior written notice to the borrower of the choices available before the action was undertaken.

Why would a court have to order you to do that? Wouldn't it seem that Farmers Home, in their counseling services to the individual farmers, would give the farmer a written notice of what alternatives he has without a court having to order you to do it?

Mr. SHUMAN. Senator, of course, we felt we had, but the court didn't think the form in which we had given that notice was appropriate. They therefore required the specific notice that we are now providing and the specific time——

Senator ANDREWS. So you are giving more specific notice of what alternatives they have.

Mr. SHUMAN. That is correct, Senator.

COORDINATED FINANCIAL STATEMENTS

Senator ANDREWS. We hear you are also backing off from your requirement to have borrowers fill out your 26-page coordinated financial statement, and instead, you are limiting that to 10 borrowers per county. How do these lucky 10 get chosen?

Mr. SHUMAN. I think, Senator, those that do fill it out will learn a lot more about their farming operation than they did with our older, very disorganized statement. Those 10 farmers, in most cases, are volunteers who are interested and already have good recordkeeping systems.

Senator ANDREWS. But with all the backlog at Farmers Home, is this the appropriate time to burden the Agency and its borrowers with still more paperwork?

Mr. SHUMAN. Senator, we think the backlog will be decreased if we are able to analyze the financial information that we have available more quickly and efficiently. The way the information comes to us now on the Farm and Home Plan is a nightmare to analyze.

The new statements now require seven pages to be completed instead of the four that were on the earlier Farm and Home Plan. The information that we asked for on the Farm and Home Plan is also asked now on the coordinated financial statement, the difference being that more space is provided for cash flow information. We can now analyze cash flow for the full year.

The new set of statements that we propose to utilize are typical statements that most financial institutions which have supported farming are going to require.

AVAILABILITY OF FARM OWNERSHIP FUNDS

Senator ANDREWS. Our State director in North Dakota advises us we have over $9 million in farm ownership loans on hand awaiting funding. Do you foresee funds arriving for these loans, or do we have to take our chances when the loans are pooled?

Mr. SHUMAN. You are talking about farm ownership loans?

Senator ANDREWS. That is right.

Mr. SHUMAN. Typically, the Agency does run short of farm ownership funds at this time of year. When I was State director in Illinois, that was a problem. I am not sure how many dollars will be available for farm ownership loans when we do pool.

Senator ANDREWS. You say in your statement you included $650 million for farm ownership loans, and then you go on to say this will meet the needs of our farmers for real estate financing.

Mr. SHUMAN. That is $650 million for 1985.

Senator ANDREWS. That is true.

Mr. SHUMAN. We anticipate that would take care of the requirements in 1985.

Senator ANDREWS. In essence, you said the amount you requested for 1984 would take care of the needs in 1984.

Mr. SHUMAN. But we have found more demand in 1984 than we anticipated at the time of the request.

Senator ANDREWS. The amount you are requesting in 1985 will pick up the slack from the 1984 as well as take care of the needs as you perceive them in 1985, or you couldn't make this statement, I would assume, because the needs will carry forward from 1984.

If you have a shortfall in fiscal year 1984, that shortfall is going to carry forward into 1985. You are telling the committee that this amount is adequate to take care of the catchup plus the needs in 1985?

Mr. SHUMAN. We anticipate being able to take care of a certain amount of carryover. We will always have a carryover from year to year.

Senator ANDREWS. You say it will meet the needs. "We believe this will meet the needs of our farmers"—those are your words.

Mr. SHUMAN. That was my statement, yes, Senator.

Senator ANDREWS. So you think it will?

Mr. SHUMAN. Yes, Senator.

FARM OPERATING LOAN FUNDS

Senator ANDREWS. Finally, farm operating loans. Do you have adequate cash out so the operating loans that are being processed can, in fact, and, indeed, be delivered, or are we finding a shortfall now in operating loan funds?

Mr. SHUMAN. We do feel that we have adequate operating loan funds in this fiscal year. We are monitoring that program very closely, and we are watching the inflow of applications and the use of funds daily.

Right now, we are about a week away from the end of the second quarter and we have about $250 million available through the end of this quarter. We will be carrying money over into the third quarter that we had anticipated using in the second quarter. We are right on target with our projections.

Senator ANDREWS. In our State, they were anticipating running out of funds about a week or 10 days ago, and you were going to pool and bring those funds into the State. I understand you have done that so that the funds are available now, and they will be adequate in the next quarter.

Mr. SHUMAN. We did not have to pool, but we were able to find funds from other States and move funds from our national reserve into those locations.

Senator ANDREWS. You assume you will have, or you are assuring the committee you will have enough to take care of the spring needs, which means the next 60 days?

Mr. SHUMAN. Our projections right now are very close to what we anticipated.

Senator ANDREWS. So any farm operator who is approved by his local county committee will have no shortfall of operating loan funds?

Mr. SHUMAN. That is the way it appears to us today, Senator.

Senator ANDREWS. Thank you, Mr. Chairman.

Senator COCHRAN. Senator Abdnor.

FMHA FORECLOSURE POLICY

Senator ABDNOR. Thank you, Mr. Chairman. Mr. Shuman, I have received numerous phone calls and letters regarding the financial conditions facing my farmers in South Dakota. Let me ask you, what portion of FmHA borrowers do you think have a reasonable chance of success? Are most in a position to keep going?

Mr. SHUMAN. Senator, we think that a substantial majority of them have a chance to be successful. My direction to the field, which is the Secretary's policy, is that we should only provide credit to those individuals who we think have a chance of being successful.

We anticipate about the same number of farmers leaving this year as last year. In fact, as of today, the rate of those leaving agriculture this year is substantially below that of last year.

Senator ABDNOR. Is there a percentage you hope to give additional loans to, also? Like this year, you said 2.9 percent?

Mr. SHUMAN. It was less than 3 percent; over 97 percent were able to stay with us.

Senator ABDNOR. How does that compare, is that lower than——

Mr. SHUMAN. Yes, Senator, the numbers in fiscal year 1983 were somewhat less than those in fiscal year 1982 and, as I said, so far this fiscal year, the number of farmers who have left agriculture is less than at the same point in the prior fiscal year.

Senator ABDNOR. Do you find then that 6,715, is that the same number you refused additional loan money to?

Mr. SHUMAN. Historically, we make loans to about 60 percent of the applications we receive. The other 40 percent either withdraw because they are not eligible and can get credit from another source, or are rejected because they do not have a viable application.

Historically, we have funded about 60 percent of the applications we receive, and that ratio has held true for several years and is holding true this year.

FMHA LOAN LIMITATIONS

Senator ABDNOR. When you only have limited dollars, you don't have enough to take care of everyone; does it often happen where a county will allocate a huge sum of money to one guy that takes up most of it, or do they try to keep the loan amounts low so a number of people can receive funds? I have received complaints about this. Some guy will come along and borrow hundreds of thousands of dollars and the next small guy who wants a loan can't get a loan because all the money is gone. Do you find that this is the case very often?

Mr. SHUMAN. Senator, the statute limits the amount of money we can loan to any one individual.

Senator ABDNOR. How much?

Mr. SHUMAN. As far as our operating loan authorities are concerned, we can only loan $100,000 to any one individual.

Senator ABDNOR. Is that for the total? Can he borrow $100,000 one year and $100,000 another year?

Mr. SHUMAN. No; he cannot. That is the limit he can borrow from us as far as operating loans are concerned. If you add to it other programs, depending on what the combination of programs is, the limit could go up. We do have restrictions on the amount of money they can borrow from us at any one time as well as a total amount.

There have been some past programs, Senator, that have allowed certain individuals to borrow substantially in excess of the limits that are now in place. However, those programs have either expired or have been altered by statute so that we are not facing those problems today.

Senator ABDNOR. For the average county in South Dakota, what would be the total sum of money they might have for lending purposes in the operating loan program?

Mr. SHUMAN. I can provide that for the record, Senator. We allocate the money to the States and then, depending upon the State, they may allocate the money down to the district office level. Sometimes each county office has a certain pool they can draw from, with those pools being replenished from district reserves, State reserves, or, more importantly, from the national office reserve.

[The information follows:]

The original fiscal year 1984 allocation of operating loan funds in South Dakota was $52,481,000 for insured and $2,154,000 guaranteed loans.

Senator ABDNOR. Did you state that FmHA has $1.9 billion allocated for farm operating loans? Is that in your statement?

Mr. SHUMAN. That is the amount we are requesting in the budget for 1985.

Senator ABDNOR. How does that compare with this year?

Mr. SHUMAN. This year, the loan level is $1.8 billion.

Senator ABDNOR. The demand is there for it. Is that going to be enough to take care of quality farmers and ranchers, those who will be good risks?

Mr. SHUMAN. We feel it will, Senator. As of March 26, with about 4 more days to the halfway point in the fiscal year, we still have about $250 million left for the second quarter. We have about $750 million left to finish out the year. We are monitoring the use of the funds daily. We are watching the inflow of applications very carefully, and we feel right now that we have enough to finish out the year. As I indicated to the chairman earlier, if we do run into a problem, we will immediately inform the committee.

FUNDING ALTERNATIVES

Senator ABDNOR. That is good to know, because many farmers and ranchers seem to have the fear that more money would not be made available. They are very concerned the credit wouldn't be available when they need it.

Are you considering any new alternative programs to deal with farm credit, or are we going to stay with what we have?

Mr. SHUMAN. The Farmers Home Administration and the Department feel that we can enhance, by improving our guaranteed loan program, the manner in which credit is made available to farmers who can't get credit from more conventional sources. We are taking some steps to do that.

Senator ABDNOR. Is it like a buy-down program?

Mr. SHUMAN. The term "buy down" is normally associated with the housing authorities. We have not considered that.

Senator ABDNOR. It could be used for farm loans; couldn't it?

Mr. SHUMAN. I haven't looked at it from that angle. I guess there could be some use of that technique in farming.

MEDIAN FARM LOAN SIZE

Senator ABDNOR. I may have taken more than my time. One more question. What is the median farm loan amount, on the average?

Mr. SHUMAN. So far in this fiscal year, we have lent out a little over $1 billion for that program. We have made 31,600 loans with the average size of those loans being $33,400.

Senator ABDNOR. You say that is the average.

Mr. SHUMAN. That is the average farm operating loan made so far in 1984. Under our current reporting system, we do not have information on the median loan amount.

Senator ABDNOR. How many in the $100,000 category?

Mr. SHUMAN. I don't have those numbers in front of me. If we do collect those numbers, I would have to provide them for the record, Senator, and I will do so if they are available.

[The information follows:]

Under FmHA's current reporting system, such information is not available.

Senator ABDNOR. Thank you.

Senator COCHRAN. Senator Burdick.

NORTH DAKOTA OPERATING LOAN FUNDS

Senator BURDICK. Thank you, Mr. Chairman. Just before I came here, I was advised that you, Mr. Shuman, had responded to a question by the chairman that you thought there was enough money for operating loans through the remainder of the fiscal year.

Mr. SHUMAN. We are monitoring it very closely, Senator. We think there will be, and we have established an early warning point whereby if the present trend changes, we will notify the committee accordingly.

Senator BURDICK. According to the information I have, within the last 24 hours, the North Dakota FmHA reports that the remainder of their fiscal year 1984 allocation for farm operating loans, which is $56.2 million, will be gone within 10 days. They tell me they could use $25 million to $30 million more to meet the demands for funding this year. Again, is this correct, and is this the situation throughout the country?

Mr. SHUMAN. Senator, ample funds are available to get through the end of this quarter. As I said earlier, about $250 million remains of the allocation made for the first 6 months of the year. We will be able to make adjustments to reallocate funds to take care of those States with backlogs. We have been doing that as our early estimates of use of funds per State proved to be inadequate in some States, and it was too optimistic in other States.

We will be making some of those kinds of adjustments. Right now the number of applications we are receiving, the size of the loans we are approving, and the approval rates indicate that we are going to be very close to using all our money by the end of the fiscal year.

Senator BURDICK. Is that figure right, according to your records, $56.2 million was the allocation for 1984 for North Dakota?

Mr. SHUMAN. I don't have the State-by-State allocation in front of me right now, Senator. I can check that and provide it for the record.

[The information follows:]

The original fiscal year 1984 allocation for farm operating loans in North Dakota was $56,202,000 for insured loans and $2,319,000 for guaranteed loans.

Senator BURDICK. Assuming you are correct, and assuming these figures are close to being correct, how soon will this adjustment you refer to be made?

Mr. SHUMAN. We are making those adjustments daily. It was my understanding, as of this morning, that every State did have funds and was able to obligate loans, but we will continue to make those adjustments. If, in fact, the need for funds does develop, as you indicate or as your source in the State indicates, we will be able to take care of that requirement.

FMHA LOAN DEFERRALS

Senator BURDICK. Several weeks ago Secretary Block appeared before this subcommittee, and I had the opportunity to ask him a few questions about the number of loan deferrals that had been requested.

At that time, he said he would provide information for the record. Neither I nor the subcommittee has received any materials yet. Maybe you could help us get that material, or do you have it?

Mr. SHUMAN. Yes, Senator, we have it. We deferred 2,925 loans in 1983, and I can give you the number of deferrals up to February 29 of this year, 1,073.

Senator BURDICK. How many requests were made in that period?

Mr. SHUMAN. Requests for deferral?

Senator BURDICK. Yes.

Mr. SHUMAN. I don't have a record nor am I aware that we keep a listing of the number of requests.

Senator BURDICK. That was the basis of my request.

Mr. SHUMAN. Sir?

Senator BURDICK. That was the basis of my request—how many requests the Secretary had when he was here before.

Mr. SHUMAN. We very likely, Senator, would defer more than are requested. Many times deferrals are made, because the loan officers recognize deferral is needed in that particular situation.

Senator, it might be helpful to also point out in addition to deferrals that we have also rescheduled 30,804 times and have subordinated 31,293 times.

Senator BURDICK. That is throughout the country.

Mr. SHUMAN. That is throughout the country; yes, sir.

Senator BURDICK. You don't have that broken down by State?

Mr. SHUMAN. I do have it with me. I could provide it for the record or read it.

Senator **Burdick**. You provide it. I hope you can do better than the Secretary.

[The information follows:]

The following table shows the State-by-State breakdown of special servicing actions granted as a result of loan servicing activities in the farmer programs area for fiscal year 1983 and through February 29, 1984:

Farmer Programs
Special Servicing Actions

	Fiscal Year 1983			Through February 29, 1984		
	Rescheduling Consolidation or Reamortization	Deferral of 1/ Principal and/or Interest	Subordinations	Rescheduling Consolidation or Reamortization	Deferral of 1/ Principal and/or Interest	Subordinations
Alabama	601	91	201	214	33	31
Alaska	0	0	0	0	0	0
Arizona	82	11	76	17	7	31
Arkansas	1,304	84	1,249	359	41	467
California	318	58	126	79	9	74
Colorado	158	17	245	38	4	77
Connecticut	58	10	18	25	4	7
Delaware	47	4	11	0	0	5
Florida	136	25	141	62	26	20
Georgia	416	81	499	224	20	194
Hawaii	4	3	4	5	2	2
Idaho	631	63	880	138	14	298
Illinois	1,324	81	585	309	81	222
Indiana	461	42	117	135	2	24
Iowa	2,158	243	2,975	349	55	1,091
Kansas	382	70	1,738	107	42	99
Kentucky	1,645	22	222	398	1	48
Louisiana	1,530	26	503	730	19	207
Maine	239	16	211	108	11	19
Maryland	67	52	102	5	8	26
Massachusetts	128	26	4	27	6	2
Michigan	1,221	120	384	225	27	86
Minnesota	882	147	1,032	254	28	303
Mississippi	957	118	1,204	401	42	427
Missouri	1,116	39	957	252	5	394
Montana	338	12	668	86	16	264
Nebraska	348	27	483	152	2	177
Nevada	29	0	6	6	1	1
New Hampshire	37	1	2	5	0	0
New Jersey	113	0	26	16	0	4
New Mexico	102	2	188	28	6	61
New York	917	260	171	365	71	48

	Fiscal Year 1983			Through February 29, 1984		
	Rescheduling Consolidation or Reamortization	Deferral of 1/ Principal and/or Interest	Subordinations	Rescheduling Consolidation or Reamortization	Deferral of 1/ Principal and/or Interest	Subordinations
North Carolina	1,188	80	1,673	357	23	525
North Dakota	679	82	3,266	622	81	990
Ohio	744	16	112	106	4	18
Oklahoma	1,186	109	571	245	81	291
Oregon	185	25	192	71	4	65
West Pacific Terr.	0	0	0	0	0	0
Pennsylvania	832	62	239	198	30	62
Puerto Rico	97	56	0	22	8	9
Rhode Island	19	0	0	3	1	0
South Carolina	633	30	267	185	5	71
South Dakota	2,812	86	3,831	724	10	1,434
Tennessee	859	20	117	231	9	19
Texas	737	141	4,736	313	31	2,499
Utah	162	2	88	50	3	38
Vermont	238	12	20	51	3	3
Virgin Islands	4	0	0	0	0	0
Virginia	413	45	146	277	17	66
Washington	125	121	313	60	41	94
West Virginia	244	4	16	79	2	4
Wisconsin	1,820	283	422	387	134	105
Wyoming	78	0	256	56	3	129
Total	30,804	2,925	31,293	9,156	1,073	11,131

1/Figures for deferrals granted on initial loans are not available and, therefore, not included in this total.

TIME ALLOTTED FOR DEFERRALS

Senator COCHRAN. Have you not heard from the Secretary?

Senator BURDICK. Not yet.

Senator COCHRAN. That has been, what, 3 weeks?

Senator BURDICK. Something like that, but he's been busy.

Mr. SHUMAN. I am sorry, Senator, but we will see that your request to the Secretary——

Senator BURDICK. I know he has been busy. You are trying to put together a farm bill, we know that. What is the average length, if you can tell me, of the deferrals requested and deferrals granted? How much time have you allotted and how much have they asked for?

Mr. SHUMAN. The deferral authorities we utilize could be up to 3 years, and the length of time that we defer would be dependent upon that particular farmer's financial situation.

I don't have a record, and I don't think we keep an accounting of the amount of time authorized by each deferral.

Senator BURDICK. That would be kind of a case-by-case situation.

Mr. SHUMAN. Yes, sir.

Senator BURDICK. What is the Farmers Home procedure for informing delinquent farmers about their right to apply for deferrals?

Mr. SHUMAN. The procedure in 44 States was recently changed by the court order that I alluded to earlier. That court order requires us to provide more specific written notice to the borrower, not only of the choices available before action is taken, but also of other authorities that the Agency has available. We did have, prior to that court order, in our regulations and in our loan-making procedures, a list of available authorities that was provided to each borrower some time prior to loan closing.

Senator BURDICK. That, of course, would be prior to any delinquency.

Mr. NAYLOR. Yes.

Mr. SHUMAN. I would hope so.

We do not keep records on the number of requests received for deferrals. We believe the number requested is below the number actually granted, because a large portion are granted at the recommendation of the FmHA loan servicing officer when they believe this action is necessary to circumvent more serious financial problems. We also do not keep records, except on a case-by-case basis, of the length of deferrals granted. The length of the deferrals granted would depend on the purpose as well as the particular circumstances of the borrower. Deferrals can be made for three major purposes: As part of the original loan making activity; as part of a loan servicing action; and, as provided for in the *Coleman* v. *Block* court decision. The length of the deferral can range from 1 to 3 years and can cover principal and/or a portion of the interest.

PROPERTY IN INVENTORY

Senator BURDICK. According to the explanatory notes provided the committee from the Agriculture Department, the acquired property under acquired ownership has increased 615 percent since 1980. In terms of numbers, the notes indicate there were 179 acquired properties in 1980 and 3 years later, there were 1,101 with a value of over $100 million, and according to the estimate in the fiscal year 1985 budget, you expect this increase in property acquisition to continue.

How many of these properties are retained as a result of liquidation and conveyance?

Mr. SHUMAN. First, I will have to ask my staff to see if we brought the source of those numbers with us. If we don't have it with us today, I will provide that for the record.

We are concerned that the number of properties that we have in inventory—not only in our farm programs, but also in our housing programs—is higher than what we would like to see. However, we do not want to go on a crash program of liquidating properties we have in inventory if that would have any kind of an adverse effect on land values.

We have encouraged our State directors to look at their inventory accumulation in a prudent manner, so that we can stop this accumulation. However, the fact that we have gone from an inventory of 100 properties or 200 properties to 1,000 or 1,100 properties is not anything to get unduly alarmed about when you remember we have 271,000 farmers that we have some kind of credit relationship with. It is still a low percentage, Senator, of the total amount of our portfolio.

Senator BURDICK. I have some other questions which I am sure would result in the same situation. If you will reply to me at your convenience, I would appreciate it.

Mr. SHUMAN. I can put in the record how we acquired some of the properties. I am not sure that the numbers will add up to the same numbers that you have there.

During fiscal year 1983, we acquired 1,683 properties. Of these properties: 969 came by voluntary conveyance; 467 came by foreclosure initiated by someone other than Farmers Home Administration; and 247 came by foreclosure initiated by Farmers Home.

Senator BURDICK. Let's define that "voluntary conveyance." That means "in lieu of foreclosure" many times.

Mr. SHUMAN. That means that we didn't have to take court action to get it, that we agreed to offset the debt if they turned their properties over to us, and it would either be in lieu of foreclosure, bankruptcy, or some other type of liquidation.

Senator BURDICK. For these other questions I have here, it would be perfectly all right if you answer them by letter, because they might be a little too detailed for you now, I realize that.

Mr. SHUMAN. By letter or for the record, Senator?

Senator BURDICK. For the record is fine.

Referring to these properties, on average, how long have they been retained by Farmers Home prior to disposition, and who is purchasing the property? Are these sold to bona fide farmers, or out-of-State interests or corporations? Please provide a general description of who buys them.

Mr. SHUMAN. We will be glad to provide that all for the record, Senator. I would state here that our regulations on who we can sell our acquired properties to are quite specific. We do, first, make sure that we attempt to sell the farm, or house if it is a housing property, to an eligible Farmers Home Administration applicant.

[The information follows:]

Length of time in FmHA inventory varies. Properties are taken in on an ongoing basis and come into inventory at different times during the year. The accounting system does not record aging of inventoried property at the present time.

Inventory property classified as suitable, eligible for FmHA programs, must be sold to an eligible applicant at the appropriate rates and terms. Records of who buys surplus properties are not summarized but we believe the sales are primarily to bona fide farmers in the local area.

Senator BURDICK. Well, that is fine. Then the questions go on: Are these being sold at the fair market values, and, as I said before, who in general is purchasing them?

Mr. SHUMAN. We will be glad to provide a detailed answer for the record.

[The information follows:]

When properties are taken into inventory, current market value appraisals are made to estimate their value, and these properties are usually sold for that value.

It is FmHA policy that every opportunity be given to eligible applicants to purchase suitable property in order that the program will serve eligible FmHA borrowers and the property will continue to remain a viable, suitable farming unit. We have not received reports to indicate properties are being sold to buyers which would be detrimental to agriculture.

Senator BURDICK. We hope they are purchased by bona fide farmers so that the land stays in production. Thank you, Mr. Chairman.

GANNETT NEWS SERVICE ALLEGATIONS

Senator COCHRAN. Thank you, Senator. Mr. Shuman, several months ago the Gannett Newspapers did a very indepth series on the Farmers Home Administration, and the administration of farm lending programs and community development lending programs. The series also highlighted what appeared to be some serious flaws in the programs, suggesting that: Loans had been made to persons who, if they weren't patently ineligible, were suspicious borrowers, anyway; persons were acquiring loans in large amounts; many farmers accumulated large debts that they weren't able to pay back; rather than serving the interest of farmers, the Farmers Home Administration may have been doing just the opposite, and that is getting farmers into debt to such an extent they couldn't possibly ever get out of debt; land that had been in families for years is being forfeited through liquidation and through other ways.

I am sure you had an opportunity to look at the series. I know there were quotes attributed to you—and to me, too, as a matter of fact—in that series. A lot of the examples were taken from the State of Mississippi. The reason I bring that up is to ask you, in connection with your review of that series, can you explain to us why it is that Farmers

Home made loans in such large amounts to borrowers several years ago—I am not sure you have made any new loans to such borrowers while you have been Administrator.

How could it be that farmers were accumulating loans amounting to $1 million or more with the Farmers Home Administration? What is the reason for that? What is the explanation for it, if there is one?

Mr. SHUMAN. Senator, first, let me say that it is unfortunate that the tone of that article, or that series of articles, implied that the Farmers Home Administration was not properly serving agriculture. I firmly believe that the Farmers Home Administration loan officers at the county and district levels are bending over backward to provide the services needed to keep agriculture a strong, viable part of the economy in the areas where they work.

Many of the facts in that series of articles went back to cases that were associated with programs that were in existence a number of years ago that required the Agency to make loans to non-full-time farming individuals, just because they may have had an interest in agriculture, however small or insignificant.

The two areas where that occurred were in the disaster-related emergency lending programs and, to a certain extent, more recently, in the early years of the economic emergency loan program.

The Congress, in its wisdom, after seeing some of the horrible problems that surfaced as a result of this excessive lending, wisely amended those statutes late in the 1970's. As a result, some of the problems that were brought out in that series of articles cannot be repeated, and, thank goodness, we don't have some of those statutory requirements now for the Agency to administer.

In addition, Senator, I would like to say that when the Agency has had a problem brought to its attention, we have acted very rapidly to deal with that problem, and I was a little disappointed at a couple places in the article where there were implications that it took the Agency a long time to deal with a problem.

I remember one specifically that implied that it took 4 years for us to resolve a situation when, in fact, once we knew of the problem, we were able to deal with it in 8 months. In my opinion, 8 months is long, but certainly not as long as the 4-year time schedule.

I have had, as you indicated, an opportunity to look at the articles. I have asked my staff to research the situations associated with each of the cases written about in that series of articles, and I believe there are only two instances in the whole series of cases that we had not dealt with in some manner. Many times we disagree with the Inspector General's opinion where the Inspector General had said "you did something wrong," and we have found that, in fact, we did it right, and the Inspector General's early request or direction or suggestion was not in accordance with the proper way to handle that case.

In other instances, loans that were thought to have been made improperly, were, in fact, proper lending, and even though we had written to the Inspector General and that response was public, the stories did not present that information.

Senator COCHRAN. What about the case where it appears from the facts that a farmer is just not able to repay a loan if it is advanced by the Farmers Home Administration? Are you seeing instances around the country where your county supervisors or your State directors are advancing money to farmers who do not have a reasonable expectation of paying that money back?

Mr. SHUMAN. Senator, the decision as to whether or not there is a reasonable expectation of repayment is a judgment call. We give our county supervisors training and guidance in how to exercise that judgment. Our tools and authorities which help them decide or help them make a judgment call are somewhat more liberal than those available to more conventional lenders. We find many times that a person from the outside looking at a case will say there is no hope for that situation when, in fact, given the tools and experience the Farmers Home Administration loan officers have, there is a light at the end of the tunnel for that farming venture.

There will be disagreements, even between the loan officers employed by the Farmers Home Administration, as to whether or not that operation will be successful. It is a judgment call. There will be some mistakes made, but over the years, I am proud to say, the Farmers Home Administration's judgment calls have been predominantly correct.

FARM FORECLOSURES

Senator COCHRAN. There has been some speculation that there are thousands of farmers around the country who are facing foreclosure by the Farmers Home Administration. What is your expectation at this time about foreclosure activity or forced liquidations that will occur this year or within the foreseeable future? Are we looking at an agriculture sector that is just about to be shut out of business by the Government?

Mr. SHUMAN. There is no doubt farmers are facing severe times right now, as far as their income is concerned. Farmers Home Administration is always looking for ways to keep farmers in business rather than ways in which to liquidate their operations.

The record speaks for itself. In 1983, we saw fewer farmers leaving agriculture than we saw leaving in 1982. And for the first 6 months of fiscal year 1984, we are substantially below the number of liquidations, both voluntary and forced, than at this time last year.

So we are not attempting to reduce the number of farmers in agriculture, but taking the opposite approach—the positive approach—of trying to find ways in which we can provide assistance for farmers in these very, very tough times.

TASK FORCE ON FARM CREDIT

Senator COCHRAN. I have been disappointed that the administration has not indicated more support for a resolution, which I introduced, that would call for the appointment of a task force on farm credit to try to bring together the best experts that are available from the private sector—from business; from traditional lending institutions, like banks or insurance companies; and from the farm credit system, with representatives from the production credit associations and the Federal Land Bank. These people should be brought together with Government officials, such as yourselves, to try to get a handle on what can be done to help meet this credit crisis that is faced by agriculture.

I am not convinced that the modest changes that were made, last week, for instance, in the farm bill that was on the floor of the Senate, are going to do all that much good. They are very needed changes—increasing the loan limit of operating loans from $100,000 to $200,000, making the repayment period 15 years instead of 7 years, and permitting some restructuring and reamortizing at a lower rate of interest than might be possible now under existing regulations. Those are important changes, but I am not sure they are going to be enough if we are going to overcome the credit crisis that we are facing in agriculture.

I would be interested to know what your assessment of the situation is. Are we on the brink of a catastrophe because of a lack of reasonably priced credit for farmers? It seems to me there are a lot of farmers who are going to be falling through the cracks. They are not eligible for Farmers Home, or for some other reason are just not going to have access to credit.

Mr. NAYLOR. Mr. Chairman, I would be pleased to comment on that. First of all, we very much appreciated receiving your recommendation and feel it is very valuable. Almost 2 years ago, Secretary Block and I put together an informal advisory group which has been meeting regularly. Its most recent meeting was last Wednesday. It is composed of the leadership of the Agricultural Executive Committee of the American Bankers Association, the Agricultural Executive Committee of the Independent Bankers Association, and the governor of the farm credit system.

The purpose of this group is to regularly monitor both the availability of credit and the credit problems being faced by agriculture in rural America. That effort has made it possible for us to coordinate our activities and to adjust the activities of the Farmers Home Administration, where appropriate, to be sure we are meeting the credit needs of agriculture. I think it has been a very helpful and effective tool, and it promotes a level of cooperation that has never before existed between the private sector, the farm credit sector, and Government.

We have, based on your suggestion, incorporated into the Agricultural Cabinet Council structure, in preparation for farm legislation for 1985, a credit group to bring together those very interests and groups to provide us with the type of assessments that you suggested.

In addition to that, we have developed a current assessment group. There are some hot spots in the country where, because of a variety of conditions but most significantly because of the impact of the drought this last year, there are producers under significant financial stress. Currently, there are about 8 to 10 States where we see this difficulty.

We are working very closely with the commercial sector, and as recently as this last Wednesday, it was their assessment, based on their own independent surveys, that although they were seeing more problem cases than they had seen a year ago, they were going to be able to stay with most of their customers. Also, the few customers that might not be able to be carried by commercial or farm credit lenders were well within the bounds of eligibility for Farmers Home Administration programs.

We intend to continue to monitor that situation quite closely and to continue to work with the private sector to ensure that we have a good basis of information and our policies reflect the conditions that exist.

One area we are monitoring very closely is the amount of property and equipment that is on the marketplace today. We have made every effort not to do anything that would jeopardize farmers and producers who are in sound financial condition, by unreasonably or inappropriately causing adjustments on benchmark farmer evaluations, for example, in the Federal Land Bank or in our own benchmark areas.

I think we are seeing a level of coordination in that effort that is unparalleled, but also to the benefit of the American producer. I think there is a willingness on the part of American agricultural finance and bankers to see our borrowers through a very difficult period. We believe at this moment that we have the capacity to do so.

I would be happy to supply for you and for the record some of our more detailed assessments and to keep you apprised of our progress, but we are most appreciative of your recommendation and intend to utilize it through the Cabinet Council process that the President has directed Secretary Block to carry out with regard to the 1985 farm legislation.

Senator COCHRAN. I appreciate hearing that, Mr. Naylor. I am happy to know that this group will be assembled and that representatives from the private sector will be involved as well.

FMHA VERSUS PCA LENDING

I hear another concern expressed from time to time from the representatives of the farm credit system, such as those who are involved in the day-to-day operation of production credit associations, that the Farmers Home Administration has become so deeply involved in agriculture lending that a lot of the traditional business of PCA's is being usurped by Farmers Home. What is your reaction to that?

Mr. NAYLOR. Mr. Chairman, we would be delighted to let them have the business back.

Senator COCHRAN. That is what I thought your response would be, but their concern seems to be so genuine, and there is a worry expressed to me every year when the PCA's come to Washington, that Farmers Home is getting so big and so involved in lending that the well-being of PCA's is being undermined.

Mr. NAYLOR. Mr. Chairman, we are monitoring that closely around the country. Nationally, our market share of short-term lending is rather small, around 10 percent of the market share total, but there are some States——

Senator COCHRAN. What kind of lending is that?

Mr. NAYLOR. Short-term lending, which would be our operating loan program, the same as the PCA term loans.

Senator COCHRAN. That is the operating loan account.

Mr. NAYLOR. Yes, sir; in your State there has been a significantly greater proportion——

Senator COCHRAN. It is, what, almost 40 percent?

Mr. NAYLOR. In some areas, even more than that. In some measure, it is because of a series of natural disasters, floods, and other adverse weather conditions that seem to have plagued portions of your State and adjoining States for the last several years, that has caused us to become more involved than we might otherwise be. We are working very closely with the farm credit system in your area and, as you know, they are relocating their headquarters office in Mississippi from New Orleans. We are making every effort to encourage them to use our guarantee authorities. In fact, we expect shortly to have a much more simplified guarantee authority available for their use and we hope to have it out in the very near future. It is our hope that this will encourage them to keep more of their customers and to take some of their customers back that we currently service.

Senator COCHRAN. That is encouraging to hear. I am hoping that we can see the day when Farmers Home lending programs, the operating loan program particularly, are used for those farmers who truly cannot get credit elsewhere, who can't qualify for loans from other sources, so that we can help the smaller farmer who is trying to make a go of it, and who needs special assistance to do that.

1985 STAFFING LEVELS

I notice in connection with your testimony about processing loans and working quickly on applications so that farmers will have a certainty of knowledge about whether or not they are going to have money to put in a crop, that you talked about staffing, and you thought there were adequate staff available for these purposes.

I hear some complaints from time to time in my State that contradicts that, suggesting that particularly in the case of approving housing loans, if you are in the lending season for farmers, housing loans are set aside and you don't get any housing loans approved during January through March, or whatever the period of time is, that is taken up so much with loan applications from farmers. I notice in connection with that, looking at your budget here, that for salaries and expenses for next year, you are requesting $331 million. That is what you have this year, $331 million, and I am assuming we are going to have a rate of inflation or there is going to be an increase in pay and expenses of staff. That means you are actually going to have to start laying off people, as I read this, in order to meet those targets; is that right?

Mr. SHUMAN. Senator, the number that you have here covers salaries and expenses. We are going to have reductions in some other areas that will offset it, so we anticipate being able to have on board the same number of employees in 1985 that we have in 1984. We do not anticipate any layoffs or any RIF's.

I also would like to clarify an earlier statement. I said that we have about 1,000 more people working now in county offices than we had 2 years ago. I would not want to imply that I think we have all of our personnel problems solved. I do think that it is important that the Federal Government look for ways to reduce the number of employees, so we are looking for other ways in which to do things, such as contracting and improving our data processing and use of automated procedures, to improve the productivity of our existing personnel. I feel very fortunate that we have had an increase in the number of people working for Farmers Home Administration over the last few years since I have been Administrator, and I hope to see the level where we are right now maintained.

OUTSIDE SUPPORT FOR LOAN PROCESSING ACTIVITIES

Senator COCHRAN. One piece of legislation that is being floated around here on the Hill is one that would authorize the Farmers Home to take advantage of volunteers from the banking community and other lending institutions who could furnish additional personnel to help process loan applications and the like.

In your opinion, should I vote for that or sponsor it, or what?

Mr. NAYLOR. Senator, we reviewed this with the banking community last Wednesday. The banking community to a large degree is already doing that voluntarily this year and has been extending a good deal of assistance to us. We are experimenting with contractor services in areas of checking collateral; reviewing loans through commercial bankers, particularly in local communities; plus a number of other types of services along those lines.

I think we are getting a lot more support than we may be giving them credit for in the rural areas, and they are very concerned about working with us. We have been very pleased and satisfied with the support we have gotten out of the commercial and farm credit system this year.

DISASTER LOSS CALCULATIONS

Senator COCHRAN. One problem that came up in my State is one that I think has been expressed by other Senators. As a matter of fact, we had an amendment on the floor the other day—I think it was offered by the Senator from Arkansas, Mr. Bumpers—trying to correct what appears to be an unfair situation.

The problem is this: When you are trying to calculate how much loss has been sustained as a result of a disaster, to determine eligibility for an emergency loan, we understand you are counting those acres that were taken out of production under the payment-in-kind program so that if a farmer is eligible for a disaster loan, he has to have sustained a loss of twice what is normally required in order to be eligible for such a loan.

That does seem to be a real serious problem. Are you actually requiring farmers to demonstrate, instead of a 30-percent disaster on planted acres, a 60-percent loss if half his land is idled under PIK?

Mr. SHUMAN. Senator, we feel that the procedures we are utilizing are fair and do adequately provide assistance to farmers who have suffered a loss. The acres that a farmer put into the various programs that were available last year, caused that farmer to get reimbursed at a level he thought was appropriate to justify his making that commitment. We considered the return he got on those acres as being equivalent to a normal yield.

Senator COCHRAN. Never in the history of the Department of Agriculture has that been taken into account in calculating the extent of loss as a result of a disaster.

Mr. SHUMAN. Senator——

Senator COCHRAN. Never.

Mr. SHUMAN. We have in Farmers Home always reduced the amount of the payment by the amount of proceeds that the farmer received from ASCS or other authorities. There has been an accounting of that income by the Farmers Home Administration in analyzing or in determining the amount of——

Senator COCHRAN. I don't think you are right. I think that in the past, with an acreage reduction program, even if it was a paid diversion, the funds received had nothing whatsoever to do with the calculation of the extent to which that person had suffered a disaster. It was just simply not a part of the calculation because it was irrelevant.

Mr. SHUMAN. I will double check my recollection of that, Senator. It was my understanding that Farmers Home in the past had reduced the calculation of the loss by the proceeds received by a farmer from ASCS.

Mr. NAYLOR. Mr. Chairman, we would be pleased to supply our procedure and our rationale for it as a matter for the record. I think the principal change is that we had a much different program this year with the payment-in-kind program. The objective was a little different in the way it was approached, and we treated it accordingly, in that the land was taken out of production for a payment-in-kind. This essentially generated a comparable situation to that which might have been expected, and it amounted to a substantial Government benefit. To count it a second time, effectively for a reduced interest rate loan program, was considered to be inappropriate. I think it is a complex subject and with your permission, and I understand thoroughly your concern, we will be pleased to supply for the record a more detailed explanation of our rationale and why we proceeded the way we have.

[The information follows:]

ACTUAL PRODUCTION LOSSES EMERGENCY LOAN DETERMINATIONS

October 3, 1983

SUBJECT: Clarification on Calculating Actual Production Losses for Emergency (EM) Loan Applicants Who are Participating in the Agricultural Stabilization and Conservation Service (ASCS) Payment-in-Kind (PIK) Program

TO: All State Directors, Farmer Program Chiefs, District Directors, and County Supervisors

The Agricultural Stabilization and Conservation Service (ASCS) Payment-in-Kind (PIK) program is designed to encourage farmers to reduce their 1983 acreages of wheat, corn, sorghum, upland cotton and rice. In return for participation in the PIK program, producers will receive an amount of the commodity normally grown as payment for reducing planted acreage. Some of these producers have experienced natural disaster losses that substantially reduced their planted crop yield(s) and will reduce their farm income. This notice provides clarification on how PIK benefits are to be treated in the Secretarial designation process and, in calculating an applicant's eligibility and maximum EM loss loan entitlement.

PIK acres will not be considered by the Secretary in determining areas eligible for EM loan assistance. However, the crop yields on PIK acres, including paid diversion and set aside acreage, will be considered as normal for both the disaster and normal year in determining individual applicant eligibility for EM loans.

The FmHA official completing Form FmHA 1945-26, "Calculation of Actual Losses," will list all PIK acres, including paid diversion and set aside acres, which are part of any single enterprise that suffered losses due to the disaster. These PIK and diverted acres will be considered to have produced a normal yield in the disaster year; and the disaster year's gross income on those acres will be determined by multipyling the acres by the normal year yield by the unit price for the commodity. The results of these calculations will be added to the applicant's disaster year gross income from all planted acres. See examples A and B attached.

Applicants applying for EM loan assistance will be instructed, in writing, by the FmHA County Supervisor, to identify PIK and diverted acres on Form FmHA 1945-22 "Certification of Disaster Losses." The FmHA County Supervisor will also request ASCS, in writing, to identify PIK and diverted acres in section 5, part II of Form FmHA 1945-29 "ASCS Verification of Farm Acreages, Production and Benefits." The information obtained from ASCS on Form FmHA 1945-29 will be cross checked with information provided by the applicant on Form 1945-22. Any discrepancies will be resolved and the correct information recorded in the County Office case file.

Charles W Shuman

CHARLES W. SHUMAN
Administrator

Attachments

EXAMPLE A

Applicant: Gary Geiser of Kankakee County, Illinois
farms a section of land 640 acres.
Normally grows 320 ac. corn and 320 ac. soybeans as cash crops.
Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans.
Corn base is 320 ac.

Mr. Geiser contracted 30 percent of corn base (96ac.) under PIK Program. Due to drought, yields were only 60 bu/ac. for corn and 30 bu/ac. for beans.

Mr. Geiser had crop insurance for which he received indemnity payment of $24,920.

Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.

Mr. Geiser applied for an FmHA Emergency (EM) loan.
FmHA calculated Mr. Geiser's losses as follows:
Cash corn and soybeans constituee a "Single Enterprise," i.e., cash field crops.

PIK and diverted acres are considered to have produced a normal crop.

			NORMAL YEAR		DISASTER YEAR		
CROP	PLANTED ACRES DIS. YR.	UNIT PRICE	PER ACRE YIELD	DOLLAR VALUE	PER ACRE YIELD	DOLLAR VALUE	DOLLAR LOSS
CORN (PLANTED)	224	2.20/BU.	110 BU.	$ 54,208	60 BU.	$ 29,568	$24,640
CORN (PIK)	96	2.20/BU.	110 BU.	$ 23,232	110 BU.	$ 23,232	-0-
SOYBEANS	320	5.50/BU.	40 BU.	$ 70,400	30 BU.	$ 52,800	$17,600
TOTALS				$147,840		$105,600	$42,240

THE MINIMUM QUALIFYING LOSS IS 30 PERCENT BELOW NORMAL YEAR.
MR. GEISER SUSTAINED AN 11.7 PERCENT ACTUAL LOSS IN INCOME DUE TO THE NATURAL DISASTER AND WOULD, THEREFORE, NOT QUALIFY FOR AN EM LOAN.

$42,240 = GROSS DOLLAR LOSS
-24,920 = FCIC INDEMNITY PAYMENT
$17,320 = NET DOLLAR LOSS
147,840 = NORMAL YEAR GROSS DOLLAR VALUE
.117 = PERCENT REDUCTION FROM NORMAL YEAR
(11.7%)

EXAMPLE B

Applicant: George McHenry of Kankakee County, Illinois
farms a section of land 640 acres.
Normally grows 320 ac, corn and 320 ac. soybeans as cash crops.
Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans.
Corn base is 320 ac.

Mr. McHenry contracted 30 percent of corn base (96ac.) under PIK Program. In 1983, he planted 224 ac. corn and 320 ac. soybeans. Due to drought, yields were only 60 bu/ac. for corn and 20 bu/ac. for beans.

Mr. McHenry did not have crop insurance.

Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.

Mr. McHenry applied for an FmHA emergency (EM) loan.
FmHA calculated Mr. McHenry's losses as follows:
Cash corn and soybeans constitute a "Single Enterprise," i.e., cash field crops.

PIK and diverted acres are considered to have produced a normal crop.

CROP	PLANTED ACRES DIS. YR.	UNIT PRICE	NORMAL YEAR PER ACRE YIELD	NORMAL YEAR DOLLAR VALUE	DISASTER YEAR PER ACRE YIELD	DISASTER YEAR DOLLAR VALUE	DOLLAR LOSS
CORN (PLANTED)	224	2.20/BU.	110 BU.	$ 54,208	60 BU.	$ 29,568	$24,640
CORN (PIK)	96	2.20/BU.	110 BU.	$ 23,232	110 BU.	$ 23,232	-0-
SOYBEANS	320	5.50/BU.	40 BU.	$ 70,400	20 BU.	$ 35,200	$35,200
TOTALS				$147,840		$ 88,000	$59,840

THE MINIMUM QUALIFYING LOSS IS 30 PERCENT BELOW NORMAL YEAR.
MR. McHENRY SUSTAINED A 40.4 PERCENT ACTUAL LOSS IN INCOME DUE TO THE NATURAL DISASTER AND WOULD, THEREFORE, QUALIFIED FOR AN EM LOAN.

$59,840 = GROSS DOLLAR LOSS
-0- = FCIC INDEMNITY PAYMENT
$59,840 = NET DOLLAR LOSS
147,840 = NORMAL YEAR GROSS DOLLAR VALUE
.404 = PERCENT REDUCTION FROM NORMAL YEAR
(40.4%)

DRAFT AUDIT REPORT

NOV 30 1983

SUBJECT: USDA Office of Inspector General
Draft Audit Report: Monitoring of 1983 Disaster Programs
OIG File No. 5099-1-AT

TO: Donn E. Adkisson
Assistant Inspector General for Audit
403-E, Administration Building
Washington, D.C. 20250

We have reviewed the three draft Statements of Conditions for OIG Audit Report No. 5099-1-AT, entitled "Monitoring of 1983 Disaster Programs."

Disaster Designations - Countywide Designation Process.

Attached is a copy of a letter to Senator Thomas F. Eagleton from Secretary Block which clearly outlines the Department's legal position on the Comptroller General's (CG) decision Number B197765. The second paragraph of the attached letter notes that FmHA was in the process of amending its regulations at the time the CG was conducting its study, and new regulations were issued on January 11, 1983, the day after the CG decision was published. Further refinement of the proposed changes were made after review of the CG decision. The draft statement of conditions gives the impression the regulations were changed as a result of the CG decision. This was not the case.

Since the final OIG report may be read by individuals who do not have access to FmHA regulations, we feel paragraph (C), which describes the Secretary's discretionary authority, should be expanded to include the seven factors which the Secretary may consider in determining if one or more farmers or ranchers have suffered significant production losses as a result of unusual and adverse weather conditions. It is the intent of paragraph (C) that a county be designated even when only a single farmer has suffered qualifying losses and is unable to obtain the credit needed from private sources to continue the farming operation.

Disaster Designations - Payment-In-Kind (PIK) Program.

The first paragraph of the Statement of Conditions identifies conditions under which EM designations are made. It fails to include designations made under FmHA Instruction 1945-A, Section 1945.6 (c)(3)(iii)(C), where a single farmer has suffered qualifying disaster losses and is unable to obtain the credit necessary from conventional sources to continue the farming operation.

The purpose of the 30 percent loss criteria is to determine if the reduction in yield, as a result of adverse weather conditions, was significant. The inclusion of unplanted PIK acres in the determination would mask the severity of the natural disaster since the yield on those PIK acres, which were not at risk, would be included as normal production. The result would be that many counties which had significant losses would not meet the 30 percent criteria even though numerous individual operations suffered a qualifying loss.

The PIK acres become an important issue when the loss is calculated for an individual operator. PIK acres, and other unplanted acres involved in a Government payment program, are included in the loss calculation as having produced a normal year's production in both the disaster year and the normal year. Depending upon the individual operator's participation in the PIK program, the loss incurred as a result of a natural disaster would be substantially offset by PIK income, and those operators would likely not qualify for an EM loan.

We believe the present method for considering PIK acres in the individual operation's calculations, but not in the countywide loss calculations, insures that EM loan assistance is made available in areas where it is needed, but is not provided to individuals who do not need it.

Use of Prior Year's Prices for Disaster Year's Production - As mentioned earlier, the purpose of the 30 percent criteria is to determine if a significant loss has occurred as a result of severe and adverse weather conditions. To make that determination, yields are the only variable used in the calculations of normal and disaster year's income. If different commodity prices are used in determining the disaster and normal years income, the influence of economics becomes an issue in the loss calculation. The EM loan program is authorized to make loans based on losses caused by natural disasters not fluctuating economic conditions. The draft statements point out the possibility that rising commodity prices can substitute for lost income due to reduced yields. The opposite happening would likely occur, if a 30 percent loss were sustained due to both a natural disaster and falling commodity prices.

The FmHA is in compliance with the current law, which requires that the loss determination be based on the average monthly commodity price for the previous year. We previously used a 36-month average price which tended to smooth out the high and low years and gave a more realistic typical price on which to base loss calculations. It should be noted that there were no complaints when we used the higher 1981 prices in calculating 1982 EM loss loans.

CHARLES W. SHUMAN

CHARLES W. SHUMAN

SUGGESTION ON DISASTER FUND USE

Senator COCHRAN. I don't like to get into the business of putting a lot of authorizing language in appropriations bills, but I am tempted to suggest to the committee that we might consider trying to describe how we think these disaster funds, which we are going to be appropriating, should be used in terms of whether they should be offset by acreage reduction benefits.

I am not sure this committee would go along with that kind of interpretation, and I don't know that it makes a whole lot of difference in terms of dollar outlays. I am sure somebody down at OMB had a hand in making that decision. You don't have to respond to that. The anti-farm section of OMB probably got into it, and it maybe resulted in this situation being handled in the way it has been.

I think it is unfair, and I think it needs to be reexamined. I think I have been up and down this mountain about two or three times. It gets reexamined, but it doesn't ever get changed. I think that is very unfortunate.

BUSINESS AND INDUSTRIAL LOAN PROGRAM

The B&I program is another program under the jurisdiction of Farmers Home. It was the subject of some of the discussion in the Gannett series. There were indications that some really bad-looking loans were made to one or two fly-by-night operators who came into Mississippi, had no background or business experience, and were given huge loans to start up the operation of business activities which promptly collapsed, and Farmers Home ended up holding an empty bag.

Have you taken a look at those experiences and learned anything from them?

Mr. SHUMAN. Of course, Senator, you always hope you learn from both good and bad experiences. The Agency did extend credit and/or guarantees in certain instances in the B&I program on which, after the fact, it appears we should not have taken the risk.

The budget request for 1985 asks that there be no authority for the B&I program. We feel the authority for that program has served its usefulness, that there has been a recognition of the good employees that live in rural areas, and that there is no further need for that program.

Senator COCHRAN. There are some of us who worry that in its effort to respond to some pressures from certain Members of Congress, the administration may rush in and approve a private enterprise zone program that channels a lot of Federal dollars either through tax credits or loan preferences into urban areas. The way they are going to pay for that is to do away with programs that are on the books already and that were put there as a part of the Rural Development Act to benefit impoverished areas of rural America. Those rural areas are wondering if that is what really is going on. You are trading the well-being of those in the rural areas for favor with some of the big city interests in the country.

What is your reaction to that?

Mr. NAYLOR. Mr. Chairman, we work very closely with the Cabinet Council system within the White House and feel we have developed a very reasonable rural strategy dealing with some of these very issues, such as enterprise zones, and with providing equitable share resources and a fair share to rural areas.

I think in the area of the business and industrial loan program, an additional comment or two might be appropriate.

That program was originated when I first came to the Farmers Home Administration in 1973. The program, properly administered, did a very effective job for rural America and provided some very fine loans and encouraged larger-scale commercial businesses, Fortune 500 and regional corporations, to place facilities in rural areas where they had been unwilling to do so in the past. In the process, we found that the business community discovered that it was good business to put units in rural America, and they increasingly did so without Federal assistance.

Unfortunately, there was a period in the late 1970's where we made some loans which, as a result of Inspector General audits and other reviews, clearly should not have been made, and have caused some unfortunate reports and some problems in that program. The reason we have recommended that it be terminated is that the program has served its purpose, that being as a catalyst in persuading solid long-term potential employers that rural America is a good place to put facilities.

The Small Business Administration—and I work very closely with Administrator Sanders—has increasingly worked with us to make their programs available to the smaller business operator who cannot fully meet their credit needs through normal sources.

However, we no longer need to assist in the area that our business and industrial loan program was really targeted at in its early inception. The private sector has found it profitable to put the facilities in rural areas without the incentive that was provided through those guarantees. We feel our resources could be better concentrated on those areas that are in need in the infrastructure area rather than in this particular area.

RURAL-RELATED PROGRAM CUTS

Senator COCHRAN. The Senate last week went along with a piece of legislation that is going to have the effect of reducing outlays for farm programs by an estimated $2.5 billion by freezing target prices at 1984 levels for the 1985 crop year and by making other changes in the farm program at the request of the administration.

Having done that now, and looking at the request to zero out the business and industrial loan program; to zero out the grant programs, other than water and sewer grants and rental housing assistance payments; we are also asked, on top of all that, to reduce the rural housing program by $1 billion.

Don't you think that may be a little much to ask of rural America? I think everybody in the country wants to do his share to help restrain the growth of spending, but it looks like, to me at least, that the rural parts of the country are being asked to shoulder a bigger share of the burden than is reasonable or fair.

Why $1 billion out of the housing program?

Mr. NAYLOR. Mr. Chairman, I think there are two issues here, one of which was raised in this committee room today.

First of all is the availability of credit from commercial sources in rural areas. There have been, as a result of the deregulation effort, increasing numbers of innovative methods being developed by the savings and loan associations, mortgage bankers and others, to bring credit to rural areas that had not been available in the past. A more effective effort is now being made to fill a job the Government had largely assumed up until that time.

Another major concern, which I think is a reasonable concern, is that there was a period in which the Agency was engaged in what we would consider large-scale housing developments on the deep fringe of urban areas, and perhaps we should not have been engaged in that type of activity.

Therefore, in looking at our housing requirements, we have tried to zero in on actual rural areas and the voids that need to be filled where the private sector cannot meet them. Particularly when dealing with subsidized funds, we will probably never fully meet those who might seek them.

From the standpoint of meeting the needs of those who genuinely need that type of assistance in the rural farming communities, we think the request is a reasonable level at which to work.

HOUSING LOAN FUNDS TARGETING

Senator Cochran. One part of the housing effort at this time is affected by legislation that requires 40 percent of the housing loans to be targeted for very low income families. In Mississippi, we are meeting that target, or are very nearly meeting that target, of loaning funds for those who are on the bottom of the economic scale. However, we understand from other Senators that many States are having serious difficulty in meeting that challenge and that, therefore, they are going to be losing housing funds, or the funds will be going into a pool and will be available for redistribution. If this happens, a lot of the housing programs in other States are going to be substantially affected, even to the extent that we understand Senators are contemplating offering an amendment to the urgent supplemental that is pending in the Senate now to try to change that legislation. Do you have any plans to make any change or to recommend to Congress any change be made in that targeting figure? Is that something you are required to do by Congress?

Mr. Shuman. Yes, sir. In 1983, the statute that provides the Farmers Home Administration authority to make housing loans was amended in several ways, one of which was the requirement that 40 percent of the loans Farmers Home makes under the section 502 program would be to families whose income was 50 percent or less of the median income of that area.

This does provide us with quite a challenge to find families who can repay a loan even though their family income may be only one-half the median income for the area, and there are areas of the country where that median income is quite low. With construction costs somewhat higher in some areas than others, the ability for a family to amortize even a 1-percent interest credit loan is quite difficult.

We have been working under that direction from the Congress, on that legislation for several months. Our most recent analysis of where we are indicates that somewhat under 30 percent of our section 502 loans are going to families whose income is in that very low income strata.

We have not made any formal suggestions to the Congress, because we were trying to do our very best to meet the direction that we were given by the statute. As you indicated, we are some distance away from actually accomplishing the goal that the statute set.

Senator Cochran. At this time, in view of the requirement of the law, as I understand it, you are going to have a pooling arrangement so that the States will be sending that money back, or it just will not be obligated and will be reallocated to other States which are meeting their targets; is that what the plan is?

Mr. SHUMAN. Periodically, Senator, in all of our programs, we find that the initial distribution of funds from the national office to the States does not meet the demand for funds or is not appropriate for the demand of funds in that particular year. We do pool, and bring all the moneys back into a national pool, and redistribute the funds back to the States according to the demand or need for those funds in that particular year.

The pooling that we anticipate doing would not have any bearing whatsoever on the 40-percent requirement. We are substantially below our use of funds this year compared to last year, and I am quite confident that we will be able to take care of every application that we can process in our section 502 program from every State—that we can process the very low income applications and as many as the statute will allow us to process in the low-income category.

Senator COCHRAN. What would your reaction be to an amendment then that would purport to deal with the problem? I don't have here what the amendment would do except just that there is a note that there was an amendment contemplated. I guess it was just to strike that requirement from the law.

Mr. NAYLOR. Mr. Chairman, we have not had an opportunity to actually review any of the specific proposals, but we will be pleased to do so and provide the administration's position for you.

Senator COCHRAN. I suppose one suggestion is the pooling date be extended so that States would have more time to locate very low income people. This sort of smacks of what happened back in the Carter administration. I heard that people were actually going out and recruiting folks to borrow money from the agency. I don't know whether that is true or not, or if it was just political rhetoric that some zealous partisan was peddling forthwith, as some wont to do—not me; I never get into that. [Laughter.] But that is what I heard and I don't know whether it is true or not.

Are we doing that now—"we" meaning y'all in the Reagan administration?

Mr. SHUMAN. Certainly, Senator, we would not want to be in that kind of a situation where we would actually be out on the street knocking on doors and recruiting loan applications.

Senator COCHRAN. That is what it sounds like and what my staff thinks is happening here.

Mr. SHUMAN. Maybe you have some zealous partisans on your staff. [Laughter.]

Senator COCHRAN. We just heard about it.

Mr. SHUMAN. Senator, let me clarify one thing. The pooling process, especially in a year in which we have what appears to be now more funds than we will be able to utilize, will not take away from any State the ability to fund the applications they have available.

When we pool, that money is then redistributed back to the States. It is a matter of correcting problems that surface after we see that the estimates that were made early in the year need adjustment. It is strictly a bookkeeping system, and in programs where we have ample funds, the pooling that we would do would have no impact whatsoever on the availability of funds for obligation.

Senator COCHRAN. So if you hadn't used 60 percent of the funds by March 31, you might be able to use them later on. You won't be just restricted to 40 percent of the available funds?

Mr. SHUMAN. At the present time, Senator, the statute gives the money in one lump sum. We don't have a division as to dollars. The statute says the number of dwelling units financed, but it doesn't refer to dollars.

SUBMISSION OF MATERIAL FROM SENATORS GARN AND HUMPHREY

Senator COCHRAN. I think at this point in the record, we will enter a letter with some documents that have been submitted to me by Senator Gordon Humphrey of New Hampshire and Senator Jake Garn of Utah relating to this housing program. It is pretty impressive. We will make that a part of the record at this point.

[The information follows:]

Letter From Hon. Gordon J. Humphrey, U.S. Senator From New Hampshire

March 27, 1984

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture,
Rural Development and Related
Agencies
Senate Committee on Appropriations
SD-140
Washington, D.C. 20510

Dear Thad:

As Chairman of the Senate Subcommittee on Rural Housing and Development, I have learned of concerns expressed by homebuilders, FmHA field offices, and prospective low income borrowers regarding the Section 502 targetting provision of the Rural Housing Amendments of 1983. I am writing with a suggestion to remedy the current problem.

As you know, provisions within the 1983 Act requires the FmHA to administer the single family homeownership loan program so that no less than 40 percent of the housing units are occupied by very low income families. The purpose of this provision is to ensure that those families most in need will benefit from the loan program. The fact that nearly 30 percent of the states have met or are near this goal merely reaffirms my belief that the targetting requirements are obtainable. The following suggestion reduces the difficulties of some of the remaining states in achieving this requirement.

The Housing and Rural Recovery Act contains a number of provisions designed to facilitate FmHA's ability to supply affordable homes to very low income families. For example, manufactured homes built to HUD code were accepted for financing under the program, and FmHA is required to accept FHA standards or National Model Codes as means to provide less costly homes than presently possible under FmHA standards. However, FmHA's failure to issue regulations implementing these requirements in a timely manner has not improved the ability of home builders to supply homes at a price very low income families can afford. To further exacerbate the problem, FmHA has incorrectly interpreted the intent of the Congressional mandate by refusing to distribute low income loans until a 40 percent ratio is maintained. Consequently, a number of states have large sums of money awaiting distribution that is in jeopardy due to FmHA's insistence to pool on March 31, 1984.

In light of FmHA's failure to implement the regulations necessary to maximize the success of the targetting requirements, it would seem unwise to collect the unspent funds at this time. Instead, FmHA should be encouraged to forgo its intentions to pool on March 31, and release the low income loans currently being held. This will allow those states that are having difficulty meeting the targetting requirements additional time without limiting the overall effectiveness of the single family homeownership loan program.

With warmest regards, I am

Sincerely yours,

Gordon

Gordon J. Humphrey, USS
Chairman, Subcommittee on Rural
Housing and Development

LETTER FROM J. DEXTER PEACH, DIRECTOR, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE

The Honorable Jake Garn
Chairman, Committee on Banking,
Housing and Urban Affairs
United States Senate

March 26, 1984

Dear Mr. Chairman:

Subject: Income Analysis of Farmers Home Administration Subsidized Rural Homebuyers--1983 (GAO/RCED-84-145)

In accordance with your March 16, 1984, request, we have analyzed the incomes of those rural households who purchased homes under the Farmers Home Administration (FmHA) section 502 homeownership program in fiscal year 1983. As agreed with your staff, we focused our work on the question of what effect new targeting provisions and income limits enacted by Congress in 1983 would have had on the eligibility of those assisted in 1983. We therefore determined the number of 1983 section 502 households who would have qualified for loans under the new requirements and the extent to which loans were targeted to very low-income borrowers.

BACKGROUND

The FmHA section 502 homeownership program provides low interest rate subsidized loans to eligible low-income households, defined as those who earn less than 80 percent of area median income with certain adjustments for family size. Purchasers pay a fixed portion of their income as a housing payment, and FmHA absorbs the difference between that payment and a mortgage payment based on an interest rate related to federal borrowing costs.

On November 17, 1983, the Congress amended section 502 of the Housing Act of 1949 by directing FmHA to target a larger proportion of its loans to very low-income households. Specifically, the Rural Housing Amendments of 1983 stated that, nationwide, not less than 40 percent of section 502 loans were to be made to very low-income families or persons. The amendment defined very low-income households as those whose incomes did not exceed 50 percent of area median income with adjustments for family size. The legislation allowed some variation among states in meeting the national 40 percent requirement, but not less than 30 percent of the loans in each state are to be provided to very low-income households.

The amendment retains the definition of low-income households as those whose incomes do not exceed 80 percent of area median income, but stipulates that FmHA will no longer set its own income limits. Rather, FmHA is to use income limits developed by the Secretary of Housing and Urban Development (HUD) under the Housing Act of 1937, which set income limits for HUD's section 8 rental housing assistance program. The section 8 income limits differ from those used by FmHA in the past in that they vary to a greater extent with household size--as household size increases, qualifying income rises much more rapidly than under the old limits. For example, in a rural Virginia county, the difference in eligible income under the old FmHA rules between a 2-person and 4-person household was $600 compared with $3,000 under the new rules.

OBJECTIVE, SCOPE, AND METHODOLOGY

To perform our analysis, we obtained information from FmHA on all section 502 loans made in 1983 and the 1983 section 8 income limits. The FmHA section 502 loan data includes information on household income and other demographic data such as household size and number of dependents. From this information, we tabulated the annual incomes of recipient households, adjusted their incomes on the basis of the number of dependents in the household (and elderly status) according to the new FmHA criteria, and compared these incomes to the income limits FmHA would have used in 1983 had the new eligibility rules been in effect. This allowed us to determine what percentage of 1983 section 502 recipients would have qualified for assistance and what percentage would have been of very low income if the new rules had been in effect. We did not verify the income data provided by FmHA. With this one exception, our review was performed in accordance with generally accepted government audit standards.

HOMEBUYER INCOME ANALYSIS

Of 53,466 section 502 household files which we analyzed, 84 percent of these households would have qualified for assistance had the new eligibility criteria been in effect in 1983. The remaining 16 percent would not have qualified for loans because their incomes exceeded the new low-income limits. We also found that about 24 percent of all borrowers would have been classified as very low income in 1983 under the new rules. If the households who would not have qualified under the new rules were excluded from the calculations, then the percentage of those qualified borrowers who would have had very low incomes in 1983 is 28 percent.

Only two states would have exceeded the 40 percent national requirement for very low-income households, while six states would have exceeded the 30 percent minimum for individual states. Statistics on individual states are shown in enclosure I. The table below summarizes the information from individual states on a regional basis. It shows substantial variation from region to region with the greatest degree of income targeting under the new eligibility limits having occurred in the south.

	NOT ELIGIBLE		ELIGIBLE			
	Incomes exceeded 80 percent of area median		LOW INCOME Incomes did not exceed 80 percent of area median		VERY LOW INCOME[1] Incomes did not exceed 50 percent of area median	
Region	Number	Percent	Number	Percent	Number	Percent
Northeast	1,722	22.6	5,913	77.4	1,197	15.7
North Central	2,098	15.8	11,157	84.2	2,896	21.8
South	3,707	14.5	21,889	85.5	7,093	27.7
West	1,183	16.9	5,797	83.1	1,460	20.9
Total	8,710	16.3	44,756	83.7	12,646	23.6

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[1] Percentages do not total across to 100 percent because eligible very low-income households are also included as eligible low-income households.

Under the new law, income limits for one to three person households were generally reduced while those for larger households were increased. Thus, some households with fewer than four members would not have been eligible for section 502 loans had the new requirements been in effect in 1983. Conversely, qualifying incomes will rise considerably in some locations under the new law. This will occur because HUD updated its income limits for inflation in 1983 while FmHA continued to use 1980 HUD figures.

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As arranged with your office, we did not obtain written agency comments on this report. As requested by your office, we are sending copies of this report to the Honorable Jamie L. Whitten, Chairman, House Appropriations Committee; the Honorable Thad Cochran, Chairman, Subcommittee on Agriculture and Related Agencies, Senate Appropriations Committee; and the Honorable Henry B. Gonzalez, Chairman, Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Ralph V Carlone for
J. Dexter Peach
Director

STATE BY STATE COMPARISON OF 1983 SECTION 502 BENEFICIARIES WITH HUD SECTION 8 INCOME LIMITS

	NOT ELIGIBLE		ELIGIBLE			
	Incomes exceeded 80 percent of area median		LOW INCOME Incomes did not exceed 80 percent of area median		VERY LOW INCOME[1] Incomes did not exceed 50 percent of area median	
State	Number	Percent	Number	Percent	Number	Percent
Alabama	167	13.9	1,034	86.0	428	35.6
Alaska	53	33.1	107	66.8	25	15.6
Arizona	66	20.3	259	79.6	69	21.2
Arkansas	212	14.9	1,209	85.0	344	24.2
California	391	21.6	1,413	78.3	286	15.8
Colorado	51	11.5	390	88.4	105	23.8
Connecticut	58	13.1	384	86.8	110	24.8
Delaware	22	18.4	97	81.5	11	9.2

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[1] Percentages do not total across to 100 percent because eligible very low-income households are also included as eligible low-income households.

State	NOT ELIGIBLE Incomes exceeded 80 percent of area median		ELIGIBLE LOW INCOME Incomes did not exceed 80 percent of area median		ELIGIBLE VERY LOW INCOME Incomes did not exceed 50 percent of area median	
	Number	Percent	Number	Percent	Number	Percent
Florida	353	26.7	966	73.2	188	14.2
Georgia	261	18.6	1,139	81.3	256	18.2
Hawaii	22	10.3	191	89.6	39	18.3
Idaho	104	20.5	402	79.4	111	21.9
Illinois	233	14.1	1,410	85.8	391	23.7
Indiana	211	14.3	1,261	85.6	368	25.0
Iowa	201	16.6	1,005	83.3	217	17.9
Kansas	95	19.0	405	81.0	88	17.6
Kentucky	348	15.7	1,860	84.2	498	22.5
Louisiana	127	7.1	1,661	92.8	754	42.1
Maine	416	32.8	852	67.1	148	11.6
Maryland	73	12.4	513	87.5	98	16.7
Massachusetts	73	10.5	622	89.4	159	22.8
Michigan	353	18.3	1,567	81.6	414	21.5
Minnesota	138	18.6	600	81.3	128	17.3
Mississippi	231	7.6	2,807	92.3	1,364	44.8
Missouri	232	12.5	1,622	87.4	401	21.6
Montana	70	16.5	353	83.4	79	18.6
Nebraska	70	15.6	378	84.3	60	13.3
Nevada	30	26.7	82	73.2	21	18.7
New Hampshire	154	23.3	505	76.6	72	10.9
New Jersey	156	19.3	651	80.6	118	14.6
New Mexico	88	16.5	443	83.4	118	22.2
New York	267	23.9	846	76.0	193	17.3
N. Carolina	734	20.7	2,811	79.2	579	16.3
North Dakota	108	20.1	427	79.8	81	15.1
Ohio	148	12.7	1,016	87.2	292	25.0
Oklahoma	127	11.0	1,024	88.9	370	32.1
Oregon	127	15.2	708	84.7	153	18.3

	NOT ELIGIBLE		ELIGIBLE			
	Incomes exceeded 80 percent of area median		LOW INCOME Incomes did not exceed 80 percent of area median		VERY LOW INCOME Incomes did not exceed 50 percent of area median	
State	Number	Percent	Number	Percent	Number	Percent
Pennsylvania	382	20.4	1,484	79.5	291	15.5
Rhode Island	14	9.9	127	90.0	21	14.8
S. Carolina	307	19.0	1,304	80.9	263	16.3
South Dakota	78	23.6	252	76.3	33	10.0
Tennessee	295	14.1	1,788	85.8	602	28.9
Texas	237	11.8	1,761	88.1	658	32.9
Utah	58	10.7	480	89.2	142	26.3
Vermont	202	31.3	442	68.6	85	13.1
Virginia	140	10.6	1,174	89.3	415	31.5
Washington	80	10.3	692	89.6	226	29.2
West Virginia	73	8.9	741	91.0	265	32.5
Wisconsin	231	15.9	1,214	84.0	423	29.2
Wyoming	43	13.4	277	86.5	86	26.8

TARGETTING OF FARMERS HOME MORTGAGE SUBSIDY

-The Housing & Rural Recovery Act contained an important initiative designed to further target federal subsidies to the neediest families in rural areas. In light of restraints on budget and spending it is more important than ever that federal resources help those living in the worst conditions.

-Targetting 40% of loans to very low income families is a modest increase over the actual performance of FmHA last year. GAO has analyzed last years low and very low income loans and discovered that 28% of these loans were made to very low income families.

-The very low income limit for a family of four in the poorest rural counties is $7,800 per year. FmHA figures that this family can afford a home prices at $28,620 under the 1% loan program. Many homes were built last year at this price and the prices shown on the attached chart.

-The Act contained a number of provisions to improve FmHA ability to supply these homes. Among these are:

> Manufactured homes built to the HUD code were accepted for financing under the program. FmHA does not expect to implement this provision until Ocotber, 1984.
>
> Acceptance of FHA standards or National Model Codes was mandated since less costly homes can be built than presently possible under FmHA standards. FmHA does not expect to implement this provision until June, 1985.

-Two policies unrelated to targetting are affecting the flow of constructions funds in county officies are:

> Applications for buyers of existing FmHA homes are being processed first, and,
>
> New construction loans are being withheld from offices with very large delinquencies.

COUNTY - STATE	50% Income	Affordable House Payment per month	Affordable Home Price with 1% Loan
Lee, Ark.	7,800	$85	$28,620
Dixie, Florida	7,800	$85	$28,620
Quitman, Ga.	7,800	$85	$28,620
Hawaii, Hawaii	13,350	$143	$48,150
Payette, Idaho	9,500	$100	$33,670
Crawford, Ind.	8,900	$93	$31,310
Owsley, Ky.	7,800	$85	$28,620
Garrett, Maryland	9,650	$103	$30,591
Lake, Mich.	8,400	$90	$30,300
Kemper, Miss.	7,800	$85	$28,620
Pontotoc, Miss.	8,600	$91	$30,640
Tunica,Miss.	7,800	$85	$28,620
Hickory, Mo.	8,400	$91	$30,640
Boyd, Neb.	8,400	$90	$30,300
Hamilton, N.Y.	9,050	$94	$31,650
Grant, N.D.	8,400	$91	$30,640
Carrol, N.H.	10,650	$116	$34,452
Johnston, Ok.	7,800	$85	$28,620

COUNTY - STATE	50% Income	Affordable House Payment per month	Affordable Home Price with 1% Loan
Sullivan, Pa.	9,350	$98	$33,000
Buffalo, S.D.	8,400	$91	$30,640
Fentress, Tenn.	7,800	$85	$28,620
Starr, Tx.	7,800	$85	$28,620
Wayne, Utah	8,400	$91	$30,640
Lee, Va.	7,800	$85	$28,620
Clay, W.VA.	7,800	$85	$28,620
Iron, Wis.	8,400	$91	$30,640

* Figures supplied by FmHA March 16, 1984

Percent of Section 502 Loans to Very Low Income Borrowers

During Period 12/01/83 Thru About 02/29/84

Alabama	37
Alaska	2
Arizona	2
Arkansas	17
California	17
Colorado	25
Connecticut	25
Delaware	1
Florida	24
Georgia	23
Hawaii	38
Idaho	10
Illinois	20
Indiana	26
Iowa	23
Kansas	23
Kentucky	22
Louisiana	48
Maine	16
Maryland	13
Massachusetts	21
Michigan	12
Minnesota	9
Mississippi	34
Missouri	26
Montana	25
Nebraska	22
Nevada	20
New Hampshire	16
New Jersey	5
New Mexico	44
New York	16
North Carolina	14
North Dakota	35
Ohio	29
Oklahoma	32
Oregon	32
Pennsylvania	18
Puerto Rico	26
Rhode Island	13
South Carolina	14
South Dakota	15
Tennessee	38
Texas	37
Utah	20
Vermont	27
Virginia	35
Washington	39
West Virginia	30
Wisconsin	28
Wyoming	39

Letter From Hon. Jake Garn, U.S. Senator From Utah

The Honorable John R. Block
Secretary, Department of Agriculture
14th Street and Independence Avenue, SW
Washington, D.C. 20205

February 22, 1984

Dear Secretary Block:

I would like to thank you and your staff for the advice and counsel provided during the Congress' formulation of the Rural Housing Amendments of 1983 contained in Public Law 98-181.

In response to a request by the Farmer's Home Administration, I want to provide further clarification of the specific requirements and intent of the legislation. Many detailed points are covered in the attachment to this letter. There are two particular policy changes in this legislation though, that are of such importance that I ask your direct attention to seeing that they are implemented promptly.

First, section 503 of the Act requires FmHA to administer the single family homeownership loan program so that not less than 40 percent of the housing units are occupied by very low income families. This requirement for tighter targetting of housing subsidies for the most needy rural families is a significant change in policy. I expect your department's utmost effort to accomplish this requirement in FY84 and in subsequent years. This may necessitate modifications in administrative procedures and instructions to field staff, increased outreach efforts with builders and rural organizations, acceptance of cost saving changes in construction specifications, and other efforts.

The second issue concerns FmHA financing for manufactured homes. These homes provide acceptable housing at a lower cost than is often achieved with conventional on-site construction. Since 1974 the National Manufactured Housing Construction and Safety Standards Act has provided an efficient procedure for establishing and enforcing construction standards at the manufactured housing factory. The Act requires FmHA to accept manufactured housing for financing if it is approved under that procedure and meets FmHA energy conservation standards. Very prompt regulatory and administrative implementation of this requirement will also help the Agency meet the targetting requirements discussed above.

Thank you for your attention to these matters.

Sincerely,

Jake Garn

DOMESTIC FARM LABOR HOUSING

Senator COCHRAN. There are some questions from these Senators. We would ask you to respond to the questions for the record and send a copy to those Senators.

Mr. SHUMAN. We will be happy to do that, Senator.

Senator COCHRAN. I had a very pleasant opportunity recently to take the subcommittee to the Mississippi Delta for a field hearing on housing. There are some individuals in that area of the country who are working very hard to improve housing conditions of some very poor people who live in the Mississippi Delta. I am, frankly, worried about the level of funding of the housing program and how it would affect the efforts that are ongoing in that part of our State to bring hope to a lot of individuals that there will be improved housing for many of those citizens.

There is one program that I was told about while I was there that involves farm labor housing, and I think that is one of the grant programs for which no money is requested for fiscal year 1985. A plan called "From Vicksburg to Memphis," which has been submitted to Farmers Home, has been pending, I am told, for about 4 years in the Agency. This plan explains the housing conditions of farmworkers and advances some possible solutions that could be made to work in the Mississippi Delta.

I don't expect that you are going to know at this time all the details about that proposal or that program, but what I would like to ask is for you to review that and let me have your reactions to it. If you, after reviewing that proposal or that program, can make any suggestions about any alterations or improvements to that plan that might be implemented or that may be begun as a demonstration project, I would like to start working on that with you to see if there is a way to implement that program.

Mr. SHUMAN. Senator, could you repeat the name of that project?

Senator COCHRAN. "From Vicksburg to Memphis." That was based on testimony that we heard at the hearing in Greenville, Miss.

Mr. SHUMAN. I will be glad to do that, Senator. I would point out we do have in the 1985 budget request $13 million for Section 514 Rural Housing for Domestic Farm Labor loans.

Senator COCHRAN. But there is no grant money in there at all.

Mr. SHUMAN. No; no grant money. However, those loans are deeply subsidized down to 1 percent, Senator.

Senator COCHRAN. It is hard to beat that; 1 percent?

Mr. SHUMAN. Yes, sir.

Our Mississippi State office developed a proposal in August 1979 to develop 500 units of housing for farmworkers in clusters of 10 to 30 units in various small Mississippi Delta communities between Vicksburg and Memphis. We advised our staff that if local organizations were interested, we would recommend development in phases over 2 to 3 years.

Since most farmworkers in the Delta are permanent residents of the area, we are not only able to consider housing under the section 514/516 farm labor housing program, but also our section 515 rural rental housing program and the section 502 homeownership program. All three programs are actively used in Mississippi to address the needs of very low and low-income families.

SUBMITTED QUESTIONS

Senator Cochran. I have other questions specifically about the housing program which I will submit in writing for you to respond to at your earliest opportunity. I think we have covered most of the questions that I had planned to ask you today.

We had a good hearing, and I am glad that other Senators on the subcommittee were here to participate in this hearing. I appreciate very much the cooperation of your Agency. The witnesses who have been here have been very helpful to the subcommittee.

There may be other questions, too, in other areas that we need to submit so that we will fully understand the request for funding being made, and we appreciate your responding to those as well.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

FmHA HOUSING LOANS AND GRANTS

Question: Although the general economy is in recovery, many rural areas have not yet felt the full effects of that recovery. Some areas are just getting started in their recovery.

Naturally, one sign of recovery is an increase in home building and home ownership, which, in themselves, spur further economic activity. I've been told that $1 billion in housing money creates 50,000 man-years of work for carpenters, electricians, etc.; 34,000 houses; and $5 billion for rural economies.

For those areas just beginning an economic recovery, families might be ready to build or buy their own home, but there is inadequate credit history. Those are the kinds of people Farmers Home is designed to help.

It seems as though adequate funding for housing loan programs would accelerate the recovery in rural areas, yet, for fiscal year 1985, you have proposed a $965 million decrease in rural housing loan programs. What evidence do you have to show that there is adequate credit otherwise available in rural areas?

Answer: The recent increase in housing starts indicate that the economy has improved and the private sector is supplying more credit. For example, housing starts in February 1984 jumped to 126,800 compared to 96,300 in February 1983, and 51,300 in February 1982.

Question: Do you feel that local creditors are willing to make loans to low-income people?

Answer: Statistics are not available to measure this factor. However, in recent years more credit has been made available through State agencies and bond issues to assist lower income people.

Question: How many applications for housing loans are turned down due to inadequate funding?

Answer: As a policy, we do not turn down applications due to inadequate funding. Within Agency contraints and funding limitations, we process as many applications as possible. Any applications not funded in any given year are carried forward and processed on a first come-first served basis, or by the published priorities in effect at the time.

VERY LOW-INCOME HOUSING REPAIR LOANS AND GRANTS

Question: You propose a cut of 29 percent, $7,000,000, in housing repair loans for very low-income households. The budget explanatory notes justify this by claiming a decrease in demand for these loans. There certainly are no fewer very low-income households in the country. How many applications did you have in fiscal year 1983? So far in fiscal year 1984?

Answer: We received 5,526 applications under the Section 504 loan program during fiscal year 1983. For the first quarter of fiscal year 1984 we have received 1,478.

Question: What efforts have you made to promote this program?

Answer: Our field staff has been advised and encouraged to promote very low-income repair loans. Also, packaging can be utilized where nonprofit groups, churches, civic organizations, community action programs or other special interest organizations can provide assistance to applicants in completing forms and furnishing information necessary for the processing of the loan applications. Many of our County Supervisors meet with local civic and elderly groups to explain the services available through our Agency and discuss the program eligibility requirements.

Question: Your own budget notes state: "In rural America, there are not many places where our elderly citizens could go for assistance to rehabilitate their homes. The Agency is looked upon as the sole assistance for the elderly poor to have an opportunity to upgrade their living quarters," and it "alleviates the need for new construction." Obviously, unless you are lax in properly administering these grants, there is a demand since $12,500,000 was obligated last year. How can you possibly justify elimination of this program for elderly people?

Answer: We believe that in many cases a successful 504 loan can be made. Many more families could take advantage of our deeply subsidized rural rental housing programs which, in the last analysis, might even result in savings in housing costs to the affected family.

SINGLE FAMILY HOUSING LOANS

Question: There is also a request for a $700 million decrease, within the $965 million mentioned above, in Section 502 housing loans to individuals, which will reduce the number of units assisted by over 12,000. That's quite an impact. Why was this figure chosen? Has there been a decrease in demand?

Answer: With the improving economy we anticipate that the private sector will be able to play a much greater part in providing long-term mortgage assistance, thereby reducing the need for Section 502 rural housing loans. Therefore, we felt that the amount requested would be adequate to meet the most critical rural housing needs.

Question: The notes justify this cut by stating that continued emphasis is being placed on servicing the existing loan portfolio. Can you describe, in terms of delinquency reduction, family displacement and loss to the Government, what servicing the existing portfolio has produced?

Answer: Increased attention to servicing has reduced the number of delinquent single family housing borrowers from 208,144, 23.9 percent, in December 1980 to 135,957, 14.5 percent, in December 1983. This reduction in delinquency has been accomplished while only 1.7 percent of our borrowers were displaced from their homes during calendar year 1983. Thus, FmHA is helping 98.3 percent of its rural housing borrowers to become successful homeowners.

Anytime we can bring a delinquent borrower current, we save the government money. In addition, the borrower benefits in that his account has been removed from more serious servicing or liquidation procedures.

Question: Why did you not obligate all appropriated funds in fiscal year 1983?

Answer: In fiscal year 1983, heavy workloads in the farmer program areas restricted the amount of time available for single family housing loan processing activities in many county offices. Our efforts to maintain a balanced housing program also required that the appropriate amount of limited staff time be devoted to loan servicing activities. About 92 percent of the Section 502 subsidized funds and 100 percent of the Section 504 grant funds were obligated in fiscal year 1983.

MUTUAL AND SELF-HELP HOUSING GRANTS

Question: For mutual and self-help housing, you propose elimination of the grant program because it hasn't lived up to expectations "in spite of the Agency's efforts." What efforts has the Agency taken to promote this program? How many groups of houses have been built under this program?

Answer: In an effort to give the self-help program every possibility to succeed, the Agency has conducted training workshops for its State Office staffs. These workshops placed emphasis on efficient program management and program evaluation. In addition, since 1981, FmHA has funded regional training contracts with the objective of assisting new grantees to get off to a good start while facilitating resources to enable existing grantees to improve their performance. During the past 13 years, only 12,000 homes have been built under the self-help program.

Question: Your own budget justification says that, as a direct result of this program, 3,271 families in fiscal year 1982 needed to borrow $33.1 million less from Section 502 funds because their houses cost less. This allowed approximately 740 additional families to be assisted under the 502 program. All this for about $11 million Federal investment. How can you justify elimination of a program that is so obviously cost-effective?

Answer: While the program is cost effective when analysis is limited to the use of Section 502 loan funds, we believe that no overall savings are achieved when staff time and resources are taken into account. It takes significantly more time and resources to monitor the grant program than it does for a Section 502 program contractor.

RURAL COMMUNITY FIRE PROTECTION GRANTS

Question: What credit assistance is available for fire fighting equipment and for organizing and training personnel in rural communities to assist in fire control?

Answer: FmHA, under its community facilities loan program, has authority to make loans for fire fighting equipment. During fiscal year 1983, 30 fire trucks were purchased with FmHA loan funds in the amount of $2.3 million. In addition, 23 fire stations were built with FmHA loan funds amounting to $3.4 million.

The Forest Service, through its rural fire protection program, provides grants for fire fighting equipment as well as assistance in organizing and training personnel in rural communities to assist in fire control.

Question: How does a community go about getting surplus Government equipment for fire fighting?

Answer: Communities interested in obtaining excess or surplus Government equipment for fire fighting should contact their State Forester for assistance in filing the appropriate application.

DOMESTIC FARM LABOR HOUSING LOAN AND GRANTS

Question: A 35 percent decrease, $7 million, is proposed for domestic farm labor housing. This estimate is based on "historical usage" of the program. What usage figures did you use? This program reduction would cut assistance to over 700 units -- a 68 percent cut. Has usage ever been that sparse?

Answer: The labor housing program obligations has declined over the past 5 years. Provided herein is a table reflecting this decline:

Dollars in Millions

	1979	1980	1981	1982	1983
Labor Housing Loans	$36.3	$24.6	$18.5	$11.9	$4.0
Labor Housing Grants	32.4	22.3	10.5	14.9	7.5

At the current rate of obligation, $13 million for these loans will be more than sufficient to serve the on-farm labor housing demand in fiscal year 1985.

Usage has been sparse and we expect it to continue to be so because the farm economy, especially for smaller farmers who are eligible to use the labor housing program, is depressed, thereby lowering demand for farm labor as well as resources to repay these loans. In addition, organizational entities, such as nonprofit groups and public housing authorities, appear reluctant to assume additional housing responsibilities, especially where rising operational costs are not offset by tenant rent subsidies available for farmworkers.

Question: You justify eliminating the grant program for domestic farm labor housing by claiming it will be offset by the "liberal terms" under which long-term loans can be made out of RHIF. How many grants were made last year? What was the value of the average grant?

Answer: In fiscal year 1983, seven grants were made for new construction. The average grant is $1 million.

Question: What good are "liberal terms" if you cut the total program, loans and grants, by over $11 million, 53 percent?

Answer: The interest rate and loan terms in the program are very liberal; for example, 1 percent interest for 33 years as authorized by the labor housing loan program funded under the Rural Housing Insurance Fund.

Question: In fiscal year 1983, you obligated only 21 percent of the appropriation for the farm labor housing loans and only 60.4 percent for farm labor housing grants. Why? Was there no demand for these programs?

Answer: Both limited demand as well as a concern on our part to provide well sited, adequate housing at reasonable cost resulted in a low use of funds. As for use of on-farm labor housing, there appears to be a declining demand for these resources by smaller farm operators.

RURAL HOUSING SITE LOANS

Question: Elimination of Section 524 insured site loans is justified in your budget notes by stating that the program "has not developed as expected." Why hasn't it?

Answer: We believe that site development and acquisition funds have been readily available from the non-Government sector. Private banks and national nonprofit organizations have been able to offer applicants site loans at terms more favorable than ours.

MULTI-FAMILY HOUSING LOANS

Question: There is a serious need in rural America for multi-family housing, Section 515. Why do you want to reduce this program by $250 million, 26.5 percent?

Answer: The proposed decrease represents the Agency's continuing effort to reduce the Federal deficit, the size and scope of Federal credit programs, and their impact on private credit markets. We believe that the amount requested will be adequate to meet the most critical rural housing needs.

The 1985 budget request will allow the Agency to provide necessary financing for 940 rural rental housing loans to build, purchase or repair approximately 19,000 units. The Agency will continue its efforts to provide rental housing opportunities for those low- and very low-income rural residents most in need.

RURAL RENTAL ASSISTANCE PAYMENTS

Question: Your request to incorporate rental assistance payments into one account applies to fiscal year 1985. Reimbursement is for prior years. Why, then, are you requesting no funding for reimbursement for rural rental assistance payments in the Rural Housing Insurance Fund?

Answer: FmHA proposes to transfer all of the obligated balances from prior years to the new Rental Assistance Account at the beginning of fiscal year 1985, so there will no longer be a need to reimburse the Rural Housing Insurance Fund annually.

Question: You propose language transferring all obligated balances previously under RHIF, currently estimated at about $1.7 billion. What effect will this have on budget authority and outlays in future years?

Answer: In future years, there will be no increases or decreases to budget authority or outlays related to this transfer.

No new budget authority is required and the same outlays will simply be disbursed from the new account.

Question: Will any part of the current request go toward those obligated balances?

Answer: No. The fiscal year 1985 request for newly constructed units would be used to fund only the long-term rental assistance costs associated with newly constructed units.

Question: The Rural Housing Amendments of 1983 require the use of rental assistance payments in the following order: Contract renewals; units in newly financed projects; and to the extent available in other units. The budget asks funding only for 7,000 renewals and servicing for 3,500 units. Why was the previously stated requirement not met?

Answer: By requesting rental assistance in the categories of renewals and servicing, the Agency is attempting to comply with the requirements of the new law and protect the integrity of our existing rental housing program which consists of approximately 300,000 rental units funded prior to fiscal year 1984. Without a specific allocation of rental assistance units to service our existing portfolio, rural rental housing projects in inventory will remain unsaleable. Projects experiencing extreme vacancy problems will remain vacant, and current tenants paying a substantial portion of their income for shelter costs may be forced to vacate because they can no longer afford the rental rates.

During fiscal year 1985, all expiring rental assistance contracts are proposed to be replaced plus the Agency will be able to handle servicing needs for newly financed projects, those financed after fiscal year 1983. We are not requesting rental assistance for new construction purposes during fiscal year 1985 because the use of tenant subsidies in new construction projects result in costly long-term subsidies for the Federal Budget. However, we are actively encouraging the use of private or public non-Federal funds to provide tenant subsidies. Successful examples of this approach can be found in the States of New York, California and Maine.

COMPENSATION FOR CONSTRUCTION DEFECTS

Question: Your budget explanatory notes claim that the reduction of administrative costs associated with inventory properties and related costs, in many cases, more than offsets the actual costs of providing benefits to original owners. Therefore, it seems to be a very cost-effective program. Why did you request complete elimination of the program rather than a reduction?

Answer: The compensation for construction defect program's obligations have never exceeded $1 million. In fiscal year 1983, only 107 grants were approved for a total of $296,000. We believe that there would be relatively little hardship or disruption caused by the elimination of this grant program in fiscal year 1985; therefore, no funding was requested.

LOSS OR GAIN ON FORECLOSURE

Question: On January 30, Senator Leahy and I went to Mississippi for a hearing on the rural housing programs of Farmers

Home. We heard from the State Director of Farmers Home, some people from housing organizations, and from some private contractors. One of the most impressive facts we learned is that when resale of foreclosure property takes place, the national average is a loss to the Government of about $4,300, but in Mississippi there is a gain of about $880. The Mississippi State Director, Don Barrett, told us that the reason for that is that Mississippi Farmers Home loans are primarily on new dwellings, not existing ones. Since they are newer, they have a higher resale value than others. He also said that when they see that a foreclosure is inevitable, they go ahead with it rather than letting it drag out over a long period of time. When they do foreclose, they promptly make any repairs that are necessary and sell the house to an applicant obtained from waiting lists.

Why does the Government lose $4,300 per house, nationally, on resale of inventory?

Answer: The principal reason the losses are large is because all costs incurred in connection with the property after the acquisition date are included, plus any writeoffs that are incurred. These costs include such items as certain costs incurred in connection with voluntary conveyances and foreclosures, management fees, maintenance and utility costs, sales commissions and other sale expenses, real estate taxes, and costs for renovation and improvements. In addition, there is generally little or no appreciation in value of property while in inventory.

Question: Is there any effort to let States with high losses on resale know the techniques of States, such as Mississippi, where they have a gain on resale?

Answer: It is difficult to identify why certain States show a gain on inventory. Since Mississippi was cited as an example, a discussion with a member of that staff revealed three possible reasons for their apparent gain: In States which can foreclose nonjudicially, such as Mississippi, the time required to complete foreclosure is far shorter than where it must be done judicially, thereby reducing much of the deterioration of property which may occur during the foreclosure process; real estate taxes on inventory are very low compared to other States, running $90 to $150 annually per house; and quite a few of the properties they have acquired in recent years were the result of liquidation of loans 8, 10 or more years old, and the debt at the time of liquidation was low compared to today's value.

We believe the fact the Government investment is lower and the foreclosure process is swifter explains the gains on sale rather than any specific management techniques.

Question: What is the average amount of time an inventory property is unoccupied? How could that be shortened?

Answer: Unfortunately, we currently do not have accurate data available to reflect the average time a property is in inventory. Our best estimate would be approximately 9 to 10 months. We are continuing to emphasize the need to shorten the inventory holding period and increase sales efforts in order to shorten this holding time.

Question: How much does holding an inventory property cost the Government each month? What is the total cost, nationally, for all these properties?

Answer: We have no current data available to show monthly or annual costs. The cost per month, the eventual loss or gain on sale, and the holding period, are not captured by our current accounting system to allow us to make this type of calculation on an actual basis. The cost has been estimated by the Agency to be hundreds of dollars per month depending on the specifics of the property involved and its location.

Question: What efforts are being made to reduce housing inventory?

Answer: The need to reduce housing inventory is being emphasized to our field staffs through recently held meetings, written issuances published by the National Office, and during field visits made by my staff. During the past 2 years, a pilot program has been undertaken to test the use of sales by public auction and sealed bids to accelerate the sale of suitable property. We also use exclusive real estate broker listings where necessary. The results of these efforts have been very encouraging.

Question: Would you say that most States make most of their loans for existing housing or for new construction?

Answer: For fiscal year 1983, the utilization of the Section 502 subsidized loan program reflected that 62 percent of the amount obligated went for new dwellings, 36 percent for purchase of existing dwellings and approximately 2 percent for repairs and rehabilitation.

STAFFING

Question: We also learned at the hearing that the current staff could probably stay busy just working with the farmer programs or just working with housing programs. I know that you are interested in servicing existing accounts more efficiently. Why do you not request more funds for personnel?

Answer: We believe that current funding for personnel is adequate. With greater use of automation, additional training of our staff, and contracting out of selected activities, we feel our loan making and servicing responsibilities can be met within current staffing levels. These alternatives to increasing staff will enable us to serve rural America without requesting additional administrative funds.

Question: Do you ask State Directors for their input into personnel requests, or is that a decision made only here in Washington?

Answer: All State Directors of FmHA are fully involved in the development of the budget request. Before the proposed budget is formulated, each State Director is requested to analyze staffing within their State and submit a projection of personnel needs. These projections are evaluated in conjunction with the work measurement system and incorporated into our formal budget submission. In addition, staffing and workload data is continuously monitored to ensure that personnel are properly placed.

AFFIRMATIVE ACTION

Question: A question was raised about affirmative action practices in the housing programs. Figures given to us showed that in Mississippi of 185 loans for farm labor housing, 183 were for Whites and only 2 for Blacks. For rural rental housing, of 48 loans, only 5 went to Blacks. What is the reason for this? Are Whites usually the only one to apply for these loans?

Answer: For farm labor housing, in Mississippi as well as nationally, most applicants are white farmers. For rural rental housing, again, the majority of applicants are white.

I want to emphasize that the Agency is an equal opportunity lender. We accept applications from all eligible housing sponsors and review them under the same criteria.

Question: What action does the Agency take to encourage minorities to take part in your programs?

Answer: We provide opportunity for minority occupancy under the Affirmative Fair Housing Marketing Plan. In addition, the Agency, through its affirmative action programs, requires that all developers and contractors abide by all Federal regulations including the Fair Housing Act and Civil Rights Act of 1968.

LOW - MODERATE INCOME LOANS

Question: There was concern that families with incomes of over $11,500 have little access to affordable loans. What is available for these families? What is the interest rate on these loans?

Answer: FmHA's primary purpose for housing assistance is to help low and very low-income families. However, for fiscal year 1984, a limited amount of funding is available for moderate-income persons. These funds will be used only for transfer and assumptions or for credit sales involving inventory property. The interest rate currently is 11 7/8 percent.

FARM LABOR HOUSING

Question: We were told of a plan called "From Vicksburg to Memphis," which has been at Farmers Home for about 4 years, which explains the housing conditions of farm workers and possible solutions for the Mississippi Delta. The impression Farmer Home seemed to give is that this program is too innovative. Are you familiar with that program?

Answer: Yes, we are familiar with the program. In 1981, we reviewed the concept of providing labor housing along the route between Vicksburg and Memphis.

Question: What is it about the program that is too novel for Farmers Home?

Answer: We agreed to the general concept of the program and recommended funding at a $3 million level. However, we required groupings of multiple unit structures rather than single family units as a more manageable approach for the housing.

Question: Are there other alternate plans under consideration for housing needs in other parts of the country?

Answer: We are unaware of other plans for housing such as proposed by Mississippi. We are open to innovative proposals, and applicants should work closely with their respective FmHA State Office.

ASSISTANCE TO LOAN APPLICANTS

Question: One our our witnesses expressed the concern of the low priority given to housing applications during farm lending season. He suggested training non-FmHA groups to help with the processing of housing applications. He suggested nonprofit housing organizations, civic groups, and others who could help the applicant fill out the application so he could go into Farmers Home requiring little staff time. I understand banking groups have recently offered to help you with processing of applications. Does that include housing applications?

Answer: To our knowledge, there have been no banking groups which have offered to help FmHA County Offices process housing applications. The State of Maine has had some assistance in the past from Community Action Program personnel and from some State Health and Welfare Department employees. This assistance dealt mainly with Section 504 repair loans and grants.

Question: Are there currently any efforts to train local groups to help borrowers fill out applications? Does FmHA have the authority to train outside groups to help?

Answer: FmHA currently lacks the authority to train and use local groups for application processing except for certain approved packagers. Packagers who do prepare housing applications must first be trained and approved by our personnel and cannot be paid by either the applicant or FmHA for their services.

COORDINATION OF PUBLIC AND PRIVATE EFFORTS

Question: One of our witnesses down there is the head of a local organization which, among other things, encourages private sector enterprises and banks to provide capital that, combined with Government funds, provides housing and other needs to low-income people. Do you know of many groups, nonprofit organizations across the country, which are willing to take the lead in coordinating Government and private programs?

Answer: We know of many nonprofit organizations as well as trade associations which coordinate private and governmental programs. These include such entities as Self-Help Enterprises in Visalia, California, and Delta Housing, Inc., in Mississippi to name a couple. Also, the Council of Rural Development and the Housing Assistance Council operate nationally to coordinate this activity. We encourage public-private partnerships in all aspects of rural development.

Question: I know Farmers Home lends to those who "can't obtain credit elsewhere." Does Farmers Home participate much in projects where some other credit is available, but not enough to finance an entire project? What requirements do you have before you'll enter into that kind of arrangement?

Answer: Our rural rental housing regulations permit a joint financing venture with private commercial lenders. However, we, as do many lenders, require a first mortgage security interest on a loan. This means that most projects cannot be developed on a joint lending arrangement with us. On the other hand, most of our rental projects are constructed with the participation of an interim construction lender. Under this arrangement, the interim lender advances the construction funds. When the project is completed, we pay off the construction loan and establish the permanent, long-term loan secured by a first mortgage.

MISLEADING FmHA ADVICE TO BORROWERS

Question: Last year, there were reports of FmHA recommending voluntary conveyance to borrowers who were either current or only slightly behind in payments, promising lower rent than mortgage payment, and promising the owners that they could stay in their houses for the rest of their lives. This obviously sounded good to elderly homeowners. The reports go on to say that those homes were soon put on the market for sale, usually to investors who increased rent to amounts far exceeding the tenants' original mortgage payments. Have these charges been investigated?

Answer: The allegations were investigated by FmHA and it was found that during the period between 1979 and 1980 some borrowers may have conveyed their property to FmHA because of a plan whereby they could rent the same home with housing assistance payments through the Housing and Urban Development's Section 8 program. Upon investigation, it was found that only two of the borrowers were current in their payments at the time of conveyance. The vast majority were severely delinquent and the alternative to voluntary conveyance would have been foreclosure. All the properties acquired were held in inventory for 2 to 4 years. After that, vacant houses were sold first. Subsequently, about 25 houses were sold where the former owners were still living in the property. No attempt was made to determine the rent charged by the new purchasers.

In 1983, 153 former borrowers who conveyed their property to FmHA between January 1979 and December 1982 were given an opportunity to reacquire their former homes. Only 34 responded to the notification, and FmHA is in the process of making loans to 28 of those borrowers to reacquire their homes. Five others obtained funds elsewhere to purchase the houses outright, and one was rejected because of insufficient income to support homeownership.

Question: What is the Agency's policy on resale of inventory?

Answer: Suitable property is repaired, if necessary to meet program standards, and is then offered for sale. During the first 15 days after it is offered for sale, it is reserved for eligible applicants only afterwhich it is offered to the general public, including eligible applicants. Unsuitable property is cleaned up and if it does not meet FmHA's standards for "decent, safe, and sanitary," a determination is made as to whether repairs to make it eligible are economically feasible. If not, it is offered for sale "as is" with required restrictions on occupancy. Unsuitable property, of course, is not sold under the Section 502 program terms.

Question: When a voluntary conveyance takes place under the assumption that FmHA will rent the property to the current owner, how are rental payments determined by the Agency?

Answer: It is not our policy to take conveyance on these conditions. Where a property is acquired by voluntary conveyance, the owner is made aware that ownership and possession are being relinquished and they will have to vacate the property.

VERY LOW-INCOME LOAN REQUIREMENT

Question: In 1983, Congress passed housing legislation, the Rural Housing Act of 1983, which in part, required 40 percent of all Section 502 single family housing loans to be made to very low-income borrowers. It is my understanding that because of this requirement, the Section 502 program has come to a halt in some States. How many States are experiencing a slowdown in loan activity because of this requirement?

Answer: We are doing everything possible to meet the mandated goal for 40 percent of our loans to the very low-income borrowers. Specific instructions have been issued to our States and we recently completed a training and policy meeting with our Housing Chiefs stressing the importance of this new requirement.

For the period December 1, 1983, through February 29, 1984, two of our States have exceeded the 40 percent requirement. Another 11 States have made 30 to 39 percent of their loans to very low-income borrowers. Nationally, we have obligated about 25 percent of our loans to the very low-income borrowers.

Question: With the income limits adjusted to the Housing and Urban Development levels, how many loans were made last fiscal year to very low-income households? What percentage is that of the total number of loans made?

Answer: An analysis was made by the United States General Accounting Office on this matter. This analysis indicated that 12,646 loans, 24 percent, of the Section 502 subsidized loans made in fiscal year 1983 would have been classified as loans to very low-income borrowers using the income limits for the Housing and Urban Development's Section 8 rental housing assistance program.

Question: Why will it take 10 months to advise field staff of the amortization revision from 33 to 38 years?

Answer: Our Office of General Counsel has informed us that the 38-year loan term requirement must be published for public comment prior to implementation. We anticipate our final regulations will be published in October 1984 which will then enable us to implement the change.

Question: I understand your field staff is meeting with builders to discuss how housing costs can be minimized. Would adjustments in housing construction in any way change or compromise property standards?

Answer: We are only considering cost reductions which will enable us to maintain our current property standards and thermal requirements.

VERY LOW-INCOME HOUSING PROGRAMS

Question: What percentage of your housing programs goes toward assisting low and very low-income households? Please provide details for the record.

Answer: Based on the FmHA income limits in effect during fiscal year 1983, 13 percent of the Section 502 loans obligated were to very low-income borrowers and 85 percent to low-income borrowers. For the Section 504 program, 91 percent of the loans obligated were to very low-income persons, and 9 percent were to low-income persons.

Question: What is the average amount of a 502 loan to very low-income borrowers? What are the terms of these loans?

Answer: During fiscal year 1983, 9,608 Section 502 rural housing loans were made to very low-income families for an average loan amount of $29,530. Statistics are not available to show the average term; however, all Section 502 are made for 25 and 33 years with most loans at the 33-year term.

RURAL RENTAL HOUSING LOANS

Question: Last year, in the report on our regular bill, Senate Report #98-160, we directed the Department to require only that the applicant whose project will house occupants utilizing rental assistance payments, must demonstrate a market exists for persons and families eligible for those payments. This would require a reversal of the directive you had sent to field offices which restricted loan approvals to projects where not more than 40 percent of the occupants would reply on rental assistance payments. What action have you taken in regard to this committee directive?

Answer: The demand for new rental assistance units is expected to exceed our supply; therefore, we have authorized that rental assistance for new projects will be assigned after ranking the applications. Those projects needing rental assistance and ranking the highest will be awarded rental assistance for up to 100 percent of units in the project. Those projects receiving rental assistance must agree to use at least 95 percent of these assisted units for very low-income tenants. The remaining 5 percent can be used for low-income tenants.

HOUSING ALTERNATIVES

Question: I've been told of a form of alternative housing structure called "warm and dry" housing. I'm also told that Farmers Home will not finance this type of housing. Why not?

Answer: Warm and dry housing, is defined as a small, warm, dry, no frills, energy-efficient, affordable housing, by the Federation of Appalachian Housing Enterprises, which developed the concept. There is nothing in this definition or concept which precludes FmHA financing; however, most of the warm and dry house plans reviewed did not meet overall size or room size requirements for minimum liveability standards.

Question: What other types of innovative, cost-saving housing activities is FmHA sponsoring or participating in?

Answer: We have urged all our State Directors to review the size of sites financed to assure that excessive land costs are not contributing to rising housing costs. Other cost reductions were suggested; such as, excluding such features as garages, half baths, porches, or decks, sliding glass doors, picture and bay windows, air conditioning, fireplaces, etc.

Further recommendations were made to consider financing "zero-lot-line" or attached as opposed to detached single-family dwellings, reducing the over-all size and eliminating costly design features; such as, off-set rooms or complex roof designs.

We have issued to each State Office Architect/Engineer a package of publications suggesting additional ways to reduce the cost of housing construction while still meeting minimum property standards.

OBLIGATION OF FUNDS

Question: As of January 31, one-third of the fiscal year, the only housing program which came close to 33 percent of its appropriation was the Section 504 grant program. Most of the others hardly had any obligations. What is the reason for this? Is this normal?

Answer: As of March 26, 1984, 26 percent of rural housing subsidized funds had been obligated as compared to 31 percent of funds obligated by March 16, 1983. There is no doubt that obligations have been slowed in most States by the 40 percent mandate of the recently passed Housing Amendment. In almost every area, the Agency must screen quite a few very low-income applicants in order to find one for whom a sound loan can be approved. In addition, we have made every effort to provide farm operating credit in time to meet planting schedules. As a result, our obligations are below normal for this time of year.

Question: At what point do you anticipate obligations to increase?

Answer: Obligations typically pick up in the third and fourth quarters of the fiscal year after the weather improves and county office staffs have processed the farmer program loans for the crop year.

Question: Do you anticipate using all funds appropriated to you?

Answer: We will do our best to utilize the funds authorized.

PRESERVATION GRANTS

Question: Last November, the President signed into law the 1983 Housing Act. In that Act was the creation of housing preservation grants. Why has no money been requested for this program?

Answer: The formulation of FmHA's budget request to the Department and then to the Office of Management and Budget preceded the passage of the 1983 Housing Act.

Question: The Housing Preservation Grant program provides grants to public and private nonprofit sponsors who in turn would make loans, grants, etc., to low and very low-income households for house repair. Is it correct to assume that this program would relieve pressure on local county staff by making a resource outside the standard FmHA procedure available?

Answer: Perhaps. Like most programs, there are trade-offs. Yes, we would have other sponsors involved in making rehabilitation loans and grants. However, the Agency would still need to monitor and report on use of the grants. If all housing preservation grant monies were not obligated to eligible grantees, the balance reverts to use under Section 504 repair grants. These additional resources would create additional demands on our local county offices during the final quarter of the fiscal year.

GENERAL

Question: When will the mobile home program be in place? What will it consist of?

Answer: We expect to publish a proposed rule for public comment in June 1984 and hope to publish the final rule in October 1984. If this time frame is met, the program should be operational by December 1984.

Initially, the program we are developing will be similar to the Housing and Urban Development program authorized under Title II of the National Housing Act. The units will meet the Federal Manufactured Home Construction and Safety Standards and FmHA thermal requirements. The units must be classified and taxed as real estate and placed on a site owned or purchased by the applicant. Applicants will meet the same eligibility requirements as for any Section 502 rural housing loan.

Question: What were the Department's requests to OMB for major FmHA housing programs?

Answer: The three major programs for the fiscal year 1985 Departmental Budget propose $1.92 billion for the Section 502 loan program, $690 million for the Section 515 rural rental programs and $116 million for Section 521 rural rental assistance payments.

STAFFING

Question: It has been reported that county and district offices need some 1,500 new staffers just to make and service loans. How many new staff have been hired in fiscal year 1983 and for 1984?

Answer: During fiscal year 1983, we hired 904 permanent full-time employees and an additional 197 have been placed on the rolls during fiscal year 1984 for a total of 1,101 PFT's in the last 17 months. Total employment, exclusive of county committee members, rose by 2,796 from October 1, 1982, through February 1984.

Question: How many of these are part-time?

Answer: As of February 1984, we have 457 permanent part-time employees. Since October 1, 1982, the number of PPT employees has decreased by 20.

Question: Do you get help from other sources?

Answer: Where we are co-located with other Agriculture agencies, we may share the services of clerical staff. We also accept voluntary assistance provided by senior citizens and other organizations.

Question: I notice your estimated 1985 staff level will remain the same as 1984. You mentioned in your statement that you will have "sufficient staff-years to provide for loan making plus adequate loan servicing, debt collection and credit counseling at the county office levels." Yet, we are still receiving so many complaints that it takes Farmers Home so long to do its paperwork. Why is there such a delay in the handling and processing of loan applications at the local level?

Answer: Some of our local offices experience backlogs at certain times of the year when demand for farm-related loans is heavy. Farm visits, appraisals, and other preliminary work must be completed prior to loan approval and could result in delays if an office has a backlog of applications on hand. These delays are a major concern to us and we are instituting management improvements to alleviate this problem within our current staff-year ceiling.

Question: Are the employees at the local level sufficiently qualified or trained to handle large dollar loans?

Answer: All new Assistant County Supervisors are required to complete an Induction Training program and be certified by the State Director prior to being assigned to regular duty in a county office. County Supervisors provide materials and guidance to the trainee, and review lessons and tests with the trainee. Trainees usually begin the program within 3 weeks of hiring and complete it in 4 to 6 weeks. In addition to the Induction training, new employees are given on-the-job training and detailed to other offices for work experience.

Employees are certified by the State Director when they are fully qualified, which is usually between 4 to 6 months.

Question: I notice in the Brief History, which you furnished with your statement, that each staffer or person is responsible for an average of $5.7 million loan and grant volume. Isn't that a lot of money for an inexperienced or untrained individual to be handling?

Answer: The statement does not mean that each of our employees had direct responsibility for $5.7 million in loan and grant funds, but represents a general indicator of the magnitude of services we provide to rural America with a limited staff. Our regulations do specify limitations on the amount of loan or grant approval authority at each level of FmHA's organization. In addition, the Agency provides training each year to its employees in various loan making and servicing functions.

Question: I've also heard complaints about staffers not being familiar or who don't understand the Agency's policies or new regulations. What type of training or effort is made to keep staff persons up to date and familiar with policies and regulations?

Answer: FmHA conducts training sessions and meetings each fiscal year to provide information to employees on changes in policy and regulations. In addition, FmHA Instructions are continually revised. Administrative Notices are periodically issued and training and/or policy issues are prepared on videotapes and distributed to the field offices.

ASSISTANCE FROM THE PRIVATE SECTOR

Question: I read a little article in the paper last week that the private sector may be coming to the rescue of Farmers Home with its backlog problem. The American Bankers Association has agreed to help FmHA with its paperwork in several States, i.e., Mississippi, Missouri, Arkansas, Kentucky, etc. How do you feel about this?

Answer: It is the policy of FmHA to work with lenders in the packaging of applications for emergency loan assistance. We believe that further cooperation between local bankers, the FmHA, and applicants for FmHA farm loans can be beneficial to all concerned. During the peak lending seasons, backlogs of applications do occur in some areas and assistance by bankers in compiling the data necessary for a complete application could speed up handling applications.

OPERATING LOANS

Question: My State is already facing an extreme shortage in operating loan funds. Do you have information at this time that indicates that we may be faced with the same problem as extensively across as many States as occurred last year? What plans do you have to guarantee that States will have sufficient funds to meet their needs for the 1984 crop year?

Answer: Funds available for farm operating credit this year have increased about 10 percent over last year. We feel, at this time, that we can meet the most urgent needs for credit; however, we are keeping a close watch on the situation.

Question: I notice you have requested an increase in operating loan funds for fiscal year 1985. Are you confident that this will be ample to meet the needs for the 1984 crop year so that we will not be confronted with a similar situation that developed last year?

Answer: We believe the insured and guaranteed amounts requested for fiscal year 1985 will be adequate to meet the needs of all eligible applicants.

LOAN PROCESSING

Question: I continue to receive many complaints from farmers in my State that FmHA loan processing is not being completed timely enough for them to conduct their farm business efficiently. What can FmHA do to insure that these borrowers have their financing arrangements completed on a timely basis? For example, in Mississippi, arrangements need to be completed by the end of January.

Answer: In processing farm loan applications, large numbers of applications are frequently received during a short period of time due to emergency situations and seasonal farming practices. Priority is given to processing these applications as quickly as possible. County office staffs can be temporarily increased by hiring temporaries and detailing personnel.

Question: Does the Department have a policy regarding processing periods for loan applications? Please discuss.

Answer: FmHA procedures call for applications to receive county committee action within 30 days of receipt of all information needed to process an application. Processing the application, developing the loan docket, analyzing and approving the loan are handled as expeditiously as possible.

ECONOMIC EMERGENCY LOAN PROGRAM

Question: The Secretary mentioned in his statement before the committee a couple of weeks ago that private lenders are showing greater interest in making farm loans, yet we have heard from farmers and from local FmHA people that banks and production credit associations are not willing to "jump into" the guaranteed programs, especially the economic emergency loan program. What efforts are being made to encourage local banks to offer more assistance?

Answer: The Administration will soon be publishing, in the Code of Federal Regulations, the FmHA's "Approved Lender Program." Under that program, qualified private lenders will be approved in advance to process FmHA guaranteed farm operating, farm ownership and economic emergency loans thereby reducing the processing time needed for guaranteed loans. The FmHA can guarantee up to 90 percent of any losses sustained by a lender from these loans. Banks can join the Approved Lender Program simply by applying to FmHA and demonstrating they have the resources to make and service farm loans. This program was developed in consultation with representatives of the American Bankers Association, The Cooperative Farm Credit System and the Independent Bankers Associations of America, who are now promoting guaranteed loans. In addition, a Memorandum of Understanding with the Farm Credit Administration has recently been revised with an emphasis on the use of guaranteed loans.

Question: Could you give us a progress report on the economic emergency program?

Answer: On December 22, 1983, the economic emergency loan program was implemented with $50 million for insured loans and $550 for guaranteed loans. As additional insured loan funds were needed, funds were transferred from the guaranteed loan portion. As of April 2, 1984, $310 million has been made available for insured loans and $290 million for guaranteed loans. As of April 1984, 692 insured loans for $68.3 million, and 642 guaranteed loans for $114.5 million had been obligated out of the total $600 million available.

Question: If the judge rules that additional direct loan funds should be made available, how will you proceed?

Answer: Based on the provisions of the Agricultural Programs Adjustment Act, P.L. 98-258, dated April 10, 1984, the Secretary has the discretion to reallocate any uncommitted guaranteed economic emergency loan funds necessary to satisfy a demand for insured economic emergency loan funds.

Question: What is the status of the lawsuit requiring the Department to implement the economic emergency loan program? Especially in regard to the court's consideration of how the $600 million was proportioned between insured and guaranteed loans?

Answer: The U.S. District Judge ordered the Secretary of Agriculture to advise the Court, by April 7, 1984, as to the rationale upon which the apportionment of guaranteed to insured loans was fixed at $542.4 million guaranteed and $57.6 million insured; the number and aggregate amounts of guaranteed and insured loans actually made, and the number and aggregate amounts of applications pending, as of March 31, 1984. The case was set for a further hearing before the judge on April 13, 1984.

As we stated earlier, $310 million for insured economic emergency loans and $290 million for guaranteed economic emergency loans has already been reallocated to the States and loan funds are being obligated accordingly.

Question: How many guaranteed loans have been made under the economic emergency program so far? How many dollars have been obligated by these loans? Do you consider the guarantee program operating at an acceptable level? If not, why not?

Answer: As of April 11, 1984, 642 guaranteed economic emergency loans had been obligated for $114.5 million. We consider the guaranteed economic emergency loan program to be operating at an acceptable level now.

Question: To what extent have production credit associations participated in the economic emergency guaranteed loan program this year?

Answer: The production credit associations and FmHA have initiated a strong cooperative effort in the development and implementation of the FmHA guaranteed economic emergency program. FmHA is in the process of issuing an Approved Lender Program which is attractive to the production credit associations as well as other lenders who are expected to become active in FmHA's guaranteed farmers loan programs.

COORDINATED FINANCIAL STATEMENTS

Question: It is my understanding that Farmers Home has now had an opportunity to review the comments received as a result of your November 1983 proposed rule regarding implementation of the Coordinaed Financial Statements replacement for the Farm and Home Plan.

I'm sure you probably have received some of the same complaints and concerns which have been expressed to me. Some of these were; the Coordinated Financial Statement is too complicated or complex for the average FmHA borrower to complete, FmHA will not provide assistance to those who cannot fill out the forms, and FmHA employees were not adequately trained to implement the Coordinated Financial Statements.

I was pleased to learn that you recently, March 1, indicated you will be making some changes in the final rules.

First of all, will you please explain why you felt it necessary to change the system of financial statements?

Answer: The old Farm and Home Plan, which had been used since the 1930's, was out-of-date with today's farming realities and did not gather the information needed by either borrower or lender. The old form measured items such as "debt owed," "property owed," "balance available," and "gross cash income," that were once in general use in accounting, but no longer are. The Coordinated Financial Statement captures information in the same format use by private sector lenders, containing four principal parts: a balance sheet, cash flow statement, income statement, and statement of change in financial position. It allows the farmer to pinpoint those areas of the operation that are profitable and those that are not. It measures those expense items which contribute to profit and those which do not.

When additional credit, besides that provided by FmHA, is needed, the farmer has available the information other lenders will need in the accepted format that the loan officer wants it. Its most important benefit, however, is this: It allows the borrower, rather than the loan officer, to compile his or her own information on the true financial condition and future prospects of the farming operation. This information allows the farmer to become a better manager and provides needed facts for consideration of future financing by FmHA or other lenders. Both benefit the farmer.

Question: What are some of the major changes which will be proposed in your final rule?

Answer: FmHA will continue to provide extensive training to its employees and borrowers. County Supervisors will be responsible for assisting borrowers to complete the forms.

The following implementation schedule was adopted after careful consideration of comments received by the Agency during the period specified in the Federal Register:

> 1984 crop year - No more than 10 applicants or borrowers are required per county office. During the remainder of crop year 1984, future candidates will only be volunteers.
>
> 1985 crop year - A minimum of 25 percent of indebted farm borrowers requesting FmHA assistance, or 25 farm borrowers, whichever is more, per county office will be required to use the Coordinated Financial Statements.
>
> 1986 crop year - A minimum of 65 percent of all indebted farm borrowers per county office will be required.
>
> 1987 crop year - All applicants and farm borrowers will use the Coordinated Financial Statements system.

Question: When will this go into effect?

Answer: Coordinated Financial Statements forms are being used at this time on a volunteer basis.

Question: Will any changes be made in the form itself? Doesn't it presently contain something like 25 pages? Are all those pages necessary?

Answer: Changes to the forms are planned at this time. The Coordinated Financial Statement has 24 pages. Of these 24, only 7 pages are required financial information. Supporting schedules make up the other 17 pages which may not be needed if the farmer's operation doesn't include certain enterprises or the farmer's records contain the information. Basically the Coordinated Financial Statement puts in usable format information that was previously obtained only piecemeal by informal records or by interviews between the FmHA County Supervisor and the borrower.

CIRCUIT RIDER PROGRAM

Question: Didn't I recently read that Farmers Home had provided some new circuit riders to assist rural communities with their water systems?

Answer: Yes. We have recently authorized six new circuit riders, one each for Colorado, Georgia, Utah, Wyoming and Texas, and one for Vermont, New Hampshire and Massachusetts.

Question: How many circuit riders do we now have?

Answer: Presently, there are 32 circuit riders authorized.

Question: How many States are serviced by circuit riders?

Answer: Thirty-three States have or will soon have circuit riders available. One State, Texas, has two; and one circuit rider will cover Vermont, New Hampshire, and Massachusetts.

Question: Do the other States have need for a circuit rider?

Answer: The States covered by the circuit rider program represent a large portion of our caseload for water system loans. At the present time, we believe that water systems in the other States can be adequately assisted by FmHA staff.

BUSINESS AND INDUSTRY LOANS

Question: The fiscal year 1985 budget proposes to terminate loans for business and industrial development purposes. This request has been made for the past several years; however, Congress continues to provide funds to continue the program. Why does the Administration want to terminate the business and industrial program?

Answer: Termination of the business and industrial loan program is consistent with the premise that it is more appropriate for private capital rather than Federal guarantees to finance these types of rural development projects. Since business and industrial loans are made to credit-worthy applicants, there is no evidence that rural development will be significantly affected by the elimination of this program. The success rural lenders have experienced using the guaranteed lending program should encourage these lenders to continue making these loans without a Government guarantee. Termination of this program is also consistent with the Administration's plan to return FmHA to its original role of lender of last resort.

Question: How much of the $300 million made available for fiscal year 1983 was obligated?

Answer: Guaranteed business and industrial loans totaling $81.9 million were made in fiscal year 1983.

Question: How much of the fiscal year 1984 monies has been obligated so far this year?

Answer: Through March 31, 1984, our records show $46.9 million has been obligated.

Question: How many applications were submitted for business and industrial loan assistance? How many were approved?

Answer: During fiscal year 1983, of the 131 applications received in the National Office, 64 were approved.

Question: Is adequate financing in the private sector available to meet the needs of business in the rural areas?

Answer: Our contacts with most rural lenders indicate that during the recession, loan demand was down considerably and as a result of this, adequate funds are now available to meet the loan demand. This is also reflected in the substantial drop in loan applications under the guaranteed business and industrial loan program.

WATER AND WASTE DISPOSAL PROGRAMS

Question: During fiscal year 1983, the water and waste disposal loan and grant programs received additional funds from the emergency jobs bill. Were all of those funds obligated? If not, why not?

Answer: The total amount of additional funds made available to the water and waste disposal loan and grant programs was obligated.

Question: Why have you requested a $20 million decrease in the water and waste disposal loan program? Is there no longer a need throughout the country for this program?

Answer: The proposed fiscal year 1985 Budget for water and waste disposal loans and grants will enable the most needy projects to be funded in an efficient and orderly manner. The reduction in FmHA loan funds will be offset to the extent possible by the joint funding of projects with other agencies and private lenders. Additional emphasis will be placed on working with investment bankers and other commercial credit sources to maximize their participation in the funding of water and sewer projects in rural areas. The FmHA State and district office network will serve as liaison between rural project officials and the various commercial lenders.

Question: Is any kind of a loss incurred by Farmers Home from this program?

Answer: The major program cost to the Government for this loan program is the interest subsidy; that is, the difference between the interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The only loss that is incurred from this program is when a loan cannot be repaid and the funds lent have to be written off. However, this has not occurred to any great extent in the water and waste loan program, with losses of $176,343 remaining quite small in relation to total dollar volume.

Question: In 1982, the Omnibus Budget Reconciliation Act authorized a charge in interest rates for the water and waste disposal loans. What is the designation now?

Answer: The current interest rates for water and waste disposal loans are the proverty line rate at 5.0 percent, the intermediate rate at 7.25 percent, and the market rate at 9.625 percent.

Question: What impact has this change had on the water and waste disposal loan program?

Answer: Current interest rates have reduced the difference between the rate charged to borrowers and the rate which the Government must pay for its own borrowing. The three-tier interest rate structure not only reduces the interest subsidy the Government must pay, but provides maximum interest subsidy to the lowest income communities that need financial assistance to meet health and/or sanitary standards.

Question: What has been the impact of the regulation imposed last year which denied any water and waste disposal grant funds to projects in communities which you found to have income above 85 percent of the statewide nonmetropolitan median family income?

Answer: As you know, on January 12, 1983, FmHA amended its water and waste disposal grant regulations. The purpose of the changes were to make the grant program more responsive to the needs of rural America and to meet the intent of Congress. The result of the changes has been our ability to direct available grant funds to the most financially needy communities. FmHA will continue to monitor the effects of this regulation change to be certain it addresses these needs.

Question: How many rural communities were denied this assistance after the new regulations were put into effect?

Answer: FmHA has no statistical data available on the number of rural communities denied grant assistance where the median family income of the service area was more than 85 percent of the nonmetropolitan median family income of the State. These higher income communities are eligible for FmHA loan assistance at a market interest rate. FmHA does everything possible within its authorities and available funds to provide assistance to these higher income communities if feasible projects can be developed.

WATER AND WASTE GRANT ALLOCATION FORMULA

Question: Is the Department continuing to use the regulations issued in 1983 with respect to the grant program funds?

Answer: Fiscal year 1984 grant funds are being obligated under the current regulations. Much thought was given to the development of regulations that would direct water and waste grant funds to the most needy communities. When looking at the administration of the grant program on a national basis and giving consideration to the true needs of rural people, we believe the current regulations give equitable consideration to the most needy rural communities. Under the 1981 regulations all communities are eligible for grant assistance.

The current regulations were developed in response to Congressional directives that grant funds be directed to the lowest income communities. The Agency continually monitors this grant program to make it more responsive to rural communities' needs.

Question: Has an assessment been made on the effects of these regulations in comparison to the 1981 formula and regulations?

Answer: Yes, we have assessed what the effects would be on the water and waste disposal grant program if the 1981 regulations were adopted.

Under the 1981 grant regulations, low income communities that have a median family income below the poverty line would be required to pay a higher cost than under current regulations. Also, a majority of the communities would fall into the 1.25 percent of debt service category. Low income communities would likely have a more difficult time paying this percent of their median family income than high income communities.

In addition, there would be very few projects with a median family income below $10,000. Therefore, it would be very difficult for a community to qualify for the greatest benefit from the grant program.

Under the 1981 grant regulations, there would also be less grant funds available to lower income rural people by making the program available to the higher income communities.

FmHA COUNTY COMMITTEES

Question: What is the role of county FmHA boards? Is there discretion for boards to be more involved in loan approval in one county than in another. Should there be?

Answer: The FmHA County Committees determine the eligibility of applicants for farm loans, make recommendations on handling problem cases, make recommedations on certain debt settlement cases, review cases for graduation, and provide other advisory services to the County Supervisor. FmHA regulations concerning county committee activities are the same for all counties and we believe should remain so.

Question: Could management of all FmHA lending programs be improved if the board met more frequently during peaking loan periods and was actually involved in the whole approval process?

Answer: County committees meet at the call of the County Supervisors. The frequency of meetings is determined by the number of applications and other cases that require committee action. The committees do meet as often as necessary during peak loan periods. The role of the committees in the approval process is being studied at the present time.

EMERGENCY DISASTER LOANS

Question: The budget indicates that a record $2.0 billion will be obligated in 1984 by emergency disaster lending. There were 1,140 applications filed in Mississippi. 55.5 percent have been approved. Eight counties have had no loans approved with a total of 115 applications submitted. One county had 68 applications with none approved as of February 28, 1984.

Explain how State and county offices actually applied the Department's ruling that payment-in-kind entitlements be included in computing a farmer's emergency loan.

Answer: Participants in the payment-in-kind program elected to reduce their financial risks by removing a portion of their land in exchange for a payment-in-kind contract, which guaranteed the participant a preestablished amounts of commodities.

The commodity received represents real income to the operator and must be considered as agricultural income when determining an operation's gross farm income for the disaster year. When calculating the amount of the loss for an emergency loan, the entire acreage covered by the payment-in-kind contract is considered to have produced a normal yield in the disaster year; therefore, those acres under the payment-in-kind contract suffered no loss due to the disaster.

The normal year's yield for loss calculation purposes, is an average of the highest 4 of the previous 5 years' yields established for the farming operation.

Question: How did departmental procedure indicate that acres set aside under the Acreage Reduction Program were to be considered in computing emergency loans? Did departmental procedures indicate these set-aside acres were to be considered in the same way as payment-in-kind acres, or not?

Answer: The payment-in-kind contract required participation in the Acreage Reduction Program. Acres enrolled in the Acreage Reduction Program, as part of a payment-in-kind contract, were calculated as having produced a normal crop in the disaster year in the same manner as the payment-in-kind acres. Acres enrolled in the Acreage Reduction Program only, but not in the payment-in-kind program, were not considered in the loss calculations.

Question: Does a county have to receive a disaster designation before a farmer in that county can apply for an emergency loan? If so, how can a farmer apply for assistance under the emergency loan program if his county did not sustain an across-the-board 30 percent loss?

Answer: No. The Emergency Agricultural Credit Act of 1984, enacted on April 10, 1984, authorizes FmHA to make emergency loans available to farmers in counties contiguous to counties named as a disaster area by the President or Secretary of Agriculture.

Question: What actions has the Department taken to facilitate the processing of the record size emergency loan program this year? The Department announced recently it was using special action teams to speed up loans to farmers. How many counties have needed extra assistance in processing applications in a timely manner? Normally, a farmer has 6 months to apply for a disaster loan. What consideration has the Department given to extending the deadline this year? If none, why not?

Answer: The processing of emergency disaster loans is a high priority of the Agency. A computer terminal, connected directly to the computer at the FmHA Finance Office in St. Louis, was installed in each State Office. These terminals allow emergency disaster loan obligations to be established at the State level and eliminates the mailing time from the obligation process. Loan checks can also be requested through the terminal rather than through the mail.

In addition, the State Directors were given authority to hire qualified temporary employees to expedite the processing of emergency disaster loans. As of February 18, 1984, the Agency had employed 1,268 temporary emergency loan employees.

We have sent special actions teams into some States to determine the reasons for delays in emergency loan processing and to make recommendations to the State Directors on how the process can be expedited. In addition, we have detailed loan processing teams into two States to help expedite emergency disaster loan processing. State Directors are also using their authority to detail permanent employees within their States, from counties with less activity into counties needing additional assistance to process emergency disaster loans.

We do not keep records on the counties that have received extra assistance from these special action teams and State Director's actions.

The Agricultural Programs Adjustment Act, P.L. 98-258, dated April 10, 1984, extends the loan application period from 6 months to 8 months from the date of a disaster declaration/designation.

Question: Knowing the Department's goal is to replace the emergency program with crop insurance, how do you respond to farmers who say it can never happen "because the Federal Crop Insurance Corporation itself is a disaster?"

Answer: The Federal Crop Insurance Corporation is making a determined effort to make its insurance program more responsive to the needs of the farmer. The Individual Yield Coverage program makes it possible for producers to obtain yield guarantees that are directly related to the productivity of their own farm and not related to the productivity of a broad area and a large number of farmers. The number of crops covered has been increased and the program is available in an increased number of counties.

Question: How does the average size of the emergency loans approved this year differ from the average in previous years or the overall historical average? Is it smaller, larger or the same? Why?

Answer: The average size of emergency loans obligated in fiscal year 1984, as of April 1, 1984, is $31,185. This compares to an average of $50,706 in fiscal year 1982 and $64,524 in fiscal year 1983. The reduction is largely due to the fact that during fiscal years 1983 and 1982, more and larger emergency annual production and major adjustment loans were made. Those loan authorities are being phased out. Also, the payment-in-kind program has compensated a number of operators for a substantial portion of their loss.

Question: Across the United States, what percent of the applications filed were approved?

Answer: Of the 45,934 emergency loan applications received this fiscal year, as of March 22, 1984, 9,767 loans had been approved and closed. An additional 8,573 had been approved, but not closed for a total number of 18,340 loans approved. This represents a loan approval rate of 40 percent of the applications received. Of the applications received to date, 5,994 have been rejected and 4,622 have been withdrawn. Total withdrawn and rejected equals 23 percent of applications filed.

Question: Across the United States, how many counties declared a disaster area have had no applications approved?

Answer: Records with this type of information are not kept within our current management system.

INTEREST RATES FOR WATER AND WASTE DISPOSAL LOANS

Question: What percentage of the water and waste disposal loan funds appropriated under the regular fiscal year 1983 appropriations bill was obligated at the 5 percent interest rate? At the intermediate interest rate? At the market interest rate?

Answer: Under the regular fiscal year 1983 Appropriations Act, 6.4 percent of the water and waste disposal loan funds were obligated at the 5 percent interest rate, 45.7 percent at the intermediate interest rate and 47.9 percent at the market interest rate.

Question: What percentage of the water and waste disposal grant funds appropriated under the regular fiscal year 1983 appropriations bill was obligated for projects receiving 5 percent interest rate loan funds? Receiving intermediate interest rate loan funds? Receiving market interest rate loan funds?

Answer: Under the regular fiscal year 1983 Appropriations Act, 15.8 percent of the water and waste disposal grant funds were obligated for projects receiving 5 percent interest rate loan funds, 68.3 percent were for projects receiving intermediate interest rate loan funds, 11.0 percent were for projects receiving market rate interest rate loan funds and 4.9 percent were grant only obligations.

Question: What percentage of the water and waste disposal loan funds appropriated under the Jobs Bill, Public Law 98-8, was obligated at the 5 percent interest rate? At the intermediate interest rate? At the market rate?

Answer: Under the Jobs Bill, Public Law 98-8, 1.9 percent of the water and waste disposal loan funds were obligated at the 5 percent interest rate, 14.6 percent were obligated at the intermediate interest rate and 83.5 percent were obligated at the market interest rate.

Question: What percentage of the water and waste disposal grant funds appropriated under the Jobs Bill was obligated for projects receiving 5 percent interest rate loan funds? Receiving intermediate interest rate loan funds? Receiving market rate loan funds?

Answer: Under the Jobs Bill, 6.8 percent of the water and waste disposal grant funds were obligated for projects receiving 5 percent interest rate loan funds, 14.6 percent for projects receiving intermediate interest rate loan funds, 72.6 percent for projects receiving market rate of interest loan funds and 6.0 percent were grant only obligations.

Question: What percentage of projects receiving 5 percent interest rate loans under the regular fiscal year 1983 appropriations bill received no grant funds? What is the comparable figure for 5 percent interest rate loan projects funded with Jobs Bill funds?

Answer: Of the projects receiving 5 percent interest rate loans under the regular fiscal year 1983 Appropriations Act, 12.7 percent received no grant funds. For projects funded under the Jobs Bill, the figure is 37.5 percent.

Question: Based on their countywide income levels under the 1980 Census, what percentage of rural counties could obtain potential water and waste disposal projects which qualify for 5 percent interest rate loans? Which qualify for intermediate rate loans?

Answer: FmHA does not maintain statistics on the percentage of rural counties that might qualify for 5 percent or intermediate interest rate loans for a water or waste disposal project. Most FmHA water and waste disposal applicants are entities with service areas less than county boundaries, or in some cases, parts of several counties.

FmHA regulations provide that where a determination is made that county income levels are not truly representative of the service area, other income statistics may be used. Thus, it is possible that an area served by a municipality or a water or sewer district may have income levels lower than the county income level and may qualify for a 5 percent or intermediate interest rate loan regardless of the county income level.

Question: In its report on FmHA loan interest rates, the General Accounting Office stated that FmHA has considerable discretionary authority in setting loan interest rates but pointed out that FmHA has not developed specific, quantitative criteria for implementing this discretionary authority in its rate decisionmaking process. As a result, the General Accounting Office found that some borrowers were paying rates below the Government's cost of money while other borrowers in the same program were charged rates in excess of the

Government's cost of money. It pointed out that these subsidies and/or premiums could total millions of dollars. To provide for more equitable interest rates, it recommends that FmHA change the loan interest rates applicable to new loans each month to provide for a rate equal to the Government's cost of money.

The General Accounting Office found that FmHA was using a general obligation bond index to set interest rates on those water, waste, and community facility loans that provide for charging a rate based on the municipal bond market. However, it stated that revenue bonds, rather than general obligation bonds, are more frequently used to finance projects similar to those financed by FmHA. It also stated that revenue bonds have a maturity period more comparable to the maturity period on FmHA loans. For these reasons, it recommended that FmHA use a revenue bond index to set interest rates. It pointed out that the use of such an index to set loan interest rates could produce millions of dollars in additional interest income, thereby reducing the subsidies sustained by the Rural Development Insurance Fund.

In response to the General Accounting Office report, FmHA stated that it planned to initiate a comprehensive study of its policies and procedures for setting loan interest rates by October 1, 1983. Has this study been started, and if so, when can we expect to see the results of this study?

Answer: The Agency has initiated a study on the issues raised by the General Accounting Office as well as additional issues relating to the setting of interest rates. This study is scheduled for completion in May 1984.

Question: Will the study determine what it cost FmHA to change interest rates, and if so, do you have any data available yet on this cost?

Answer: The study will address the administrative burden associated with interest rate changes. Data on this cost is not yet available.

Question: Will the cost of making interest rate changes be weighed against the benefits to be derived by FmHA or its borrowers of making more frequent rate changes?

Answer: Yes, the study will consider the costs versus the benefits of frequent interest rate changes.

Question: Have you rejected the General Accounting Office's recommendation that FmHA use a revenue bond index to set interest rates on its community facilities type loans or will this issue also be considered in your study?

Answer: This issue will be addressed in FmHA's study. However, as this study has not yet been completed, final decisions on this and other options have not yet been made.

SECTION 502 40 PERCENT REQUIREMENT

Question: I understand you are requiring that States file a report by April 10 to verify compliance with the 40 percent requirement. What will happen to States if they cannot show that they have met the 40 percent requirement?

Answer: The law requires that each State make at least 30 percent of the dwelling units funded with Section 502 funds available for very low-income families, 40 percent is required nationally. States which have not met the 30 percent requirement may have to impose a moratorium on all loans to other than very low-income persons until the mandate is reached. Some States are able to control the overall State percentage by directing loan activity in areas of the State where income levels of applicants are more likely to result in approved loans.

Question: When you analyze these reports, must the level of loans to very low-income applicants be 40 percent of loans to date for the fiscal year or loans made since November 30?

Answer: The report on compliance with the 40 percent requirements, which is to be submitted for each State by April 10, 1984, will cover the period from November 30, 1983, through March 31, 1984. Loans obligated prior to November 30, 1984, will not be included in this report.

Question: How much of your fiscal year 1984 appropriation for Section 502 have you obligated? Will the 40 percent requirement hinder the obligation of the full amount by the end of the year?

Answer: As of March 30, 1984, $565.5 million of the funds appropriated for Section 502 rural housing loans for fiscal year 1984 have been obligated. There is no doubt, based on the surveys we have made and the genuine concern expressed by our field staff, that obligations have been slowed in most States as a result of the 40 percent mandate. We will do our best to utilize the funds authorized.

QUESTIONS SUBMITTED BY SENATOR MCCLURE

COLEMAN VS. BLOCK COURT CASE

Question: Due to the court case, Coleman vs. Block, in which FmHA was enjoined by Judge Bruce Van Sickle of Federal district court in Bismark, North Dakota, from taking certain servicing actions such as foreclosure, the State of Idaho has a current backlog of approximately 473 cases. Old cases number 186 that must be begun again, and approximately 287 new cases that will be accelerated in the coming year. This amounts to 10.6 percent of the caseload in Idaho. The Director has set up a plan to deal with this heavy backlog of work caused by the court decision and has estimated that if everything went well it would take from 6 months to 1 year to handle all the old cases and from 1 to 2 years to complete action on the expected new cases. He also stated that if USDA gave him 10 County Supervisors and 5 Clerks, the cases could be handled within the year. This backlog situation and the ensuing extra work that it entails for county offices needs to be addressed. Does the Department expect to be able to help the State and county offices through any extra efforts to deal with this situation? Can extra legal services be available to county office and State Office staff? What measures do you expect to take to help with this situation?

Answer: We are very much aware of the additional workload placed upon some States due to the recent Coleman vs. Block decision. We are establishing a monitoring system to track those appeal cases which will allow us to work closely with the States in determining the need for additional personnel. Action teams have also been established. These teams include specialists from the National Office and States which were not hit by weather disasters. Their purpose is to visit county offices, review processing procedures, talk with farmers and determine if additional staffing or other support is needed. We are also moving towards contracting for certain servicing and processing functions. This will increase the time available for FmHA personnel to reduce work backlogs in other areas. State Directors have been requested to keep the National Office informed concerning any changes in their personnel needs. We believe the above actions will enable FmHA to continue to provide assistance to applicants and borrowers in a timely manner and handle the increased appeal caseloads.

We expect that the legal services supplied by the Office of General Counsel will continue at present levels. However, they have initiated a pilot program that will place their professional staff in selected FmHA State Offices which have an exceptionally high demand for legal services.

SALE OF SECURITY

Question: Last year in the committee hearings, we discussed cases which indicated problems with the policy of FmHA concerning sale of security with payments going to pay off the borrowers operating loan rather than apply the proceeds to the earliest indebtedness. You stated that the policy of FmHA was to examine each situation very closely. Has the policy of FmHA in these types of situations changed? Are there any changes that need to be made to enable farmers who have other assets to be able to sell the assets and apply the proceeds to a delinquent operating loan instead of applying the proceeds to the oldest loan?

Answer: Our policy on operating loan security remains unchanged. Proceeds from sale of security are first applied to the loan account which was used to produce or obtain the propety sold and then to old accounts. Farmers who sell assets not mortgaged to FmHA could select a delinquent loan for application of the proceeds and request the proceeds to be so applied.

Changes are being made in authorities for handling proceeds from sale of real estate security. In certain cases, FmHA may be able to release all or a part of the proceeds from sale of real estate security to pay other debts if the security remaining is adequate and the release is in the best interest of the borrower and FmHA.

Question: It is my understanding that certain FmHA borrowers are being forced to take out Federal Crop Insurance as a requirement of obtaining an operating loan. Is this true nationwide? If the cost of insurance exceeds the profit expected and the farmer makes no money on the crop, how can this be forced upon the farmer?

Answer: We encourage farmers to obtain and maintain Federal Crop Insurance Corporation crop insurance or multi-peril crop insurance, if it is available, because we believe it is a good farm management tool. Loan approval officials may require such coverage on a case-by-case basis when it is considered to be in the best interest of the farmer and the Government. Regulations did not require crop insurance to be taken as a regular condition for getting an emergency farm loan until they were revised and published in the Federal Register on April 25, 1984. Crop insurance was not required for most 1983 emergency crop production loans.

Now, when emergency loan funds are to be used as the primary source of financing for the ensuing year's crop production expenses and those crops will serve as basic security for the loan, crop insurance will be required, if available, as a loan approval condition. Also, when another lender will finance the ensuing year's crop production expenses and FmHA will have a security interest in the crops, the borrower will be required to carry crop insurance if it is available.

AUTOMATION OF SERVICING PROCEDURES

Question: In the State of Idaho, we have had a very tough year. Many borrowers of FmHA have had servicing problems. Many of the problems have arisen in the eastern part of the State. I am sure you are aware of the large number of appeals from that part of Idaho. Many farmers in this area complain that the main problem has been staffing or lack thereof. It is my understanding that many of the staffing problems in the State have been worked out and training programs have been initiated to help avoid further problems. What other steps can be taken to train county office and State Office personnel to handle problem borrowers? Has the Department looked into the use of desk top computers as an aid in speeding the loan evaluation process? Could a computer be used for filing due dates and expiration dates of financing statements in addition to being programmed to handle servicing of rural housing delinquencies? What would be the cost of setting up pilot projects to test computer use in county offices?

Answer: In addition to providing quality training to our field personnel, we plan to automate many of the activities in our local offices. This will enable our County Supervisors to closely monitor problem cases and devote more time to helping these borrowers improve their operations.

FmHA has a project underway which will provide small business computers at the local level to assist in all of the loan making and loan servicing activities. These systems, known as multifunction workstations, will also be used for word processing and communicating to large mainframe computers for accounting and nonfinancial management reporting. Operational testing of these systems will begin during late fiscal year 1984. Under current plans, the systems will be phased in nationwide during the fiscal year 1985 through fiscal year 1987 period.

REAL ESTATE FEE APPRAISERS

Question: Last year my office was exploring the possibility of using real estate fee appraisers to lessen the workload of the county office personnel. The housing appraisers in many of the small towns in Idaho identified this area as one in which the private sector could readily step in and do the job, which would leave the county office staff of FmHA with more time to process loans for both housing and farm operation. The program was never implemented. Has this been done in other parts of the country? If so, how has it worked? Is it still operating? What are the drawbacks of such a program?

Answer: To date, this Agency has used Agency personnel to perform rural housing appraisals. The Rural Housing Amendments of 1983 provide for the FmHA to use fee appraisers in those cases where the county or district office is unable to expeditiously process the loan and grant applications, and may include the cost of such services in the amount of such loans and grants. Actions are presently underway to incorporate this statutory change into FmHA regulations. We expect this change will help reduce the workload of our field staff. Once the new procedures are in place, we will be in a better position to evaluate the procedure to see if it is effective.

ESCROW OF TAX AND INSURANCE PAYMENTS

Question: Last year I asked if a requirement could be implemented which would mandate a small downpayment be made by borrowers on homes purchased under the Rural Housing Section 502 program. You stated at that time that many good families would be eliminated from ever owning a home if this were a requirement. As it now stands, many buyers have little to lose by walking away from their FmHA financed homes, and many times the Government must then go back in and repair these homes before the homes can be resold. This is a direct expense to the Government of millions of dollars. I still feel that it is important to make people feel that the home is actually their home, not just a rental housing unit which they can tear up and then leave with no thought of repayment or repair of the damage to the home. It is my understanding that it is the policy of FmHA to even pay closing costs for the borrower if they do not have the cash to close the loan. I question the ability of a borrower to make loan payments over 30 years if they do not even have the ability to save $500 to $800 to close a housing loan. How will the borrower ever save enough money to pay property taxes each year? Or insurance? I understand that FmHA does not collect monies monthly for insurance or taxes, which other Federal agencies have the ability to do. Is there any way to administratively set up a program to collect taxes and insurance with the monthly payment?

Answer: FmHA borrowers are requested to budget their income and set aside money to be able to pay taxes and insurance when due. FmHA has studied the feasibility of providing an escrow service to borrowers so they can pay a proportionate amount of taxes and insurance with their monthly loan payment. In the past, the conclusion has been reached that FmHA does not have the necessary resources to implement such a service given the large number of borrowers, taxing bodies, and insurance companies in conjunction with the varying payment times and methods for each. Other Federal agencies are able to provide escrowing services because their loans are generally serviced by financial institutions such as savings and loan associations or mortgage bankers. These loan services provide escrowing and are paid for by the loan servicing fees they collect.

The Rural Housing Amendments of 1983 contain a provision for FmHA to provide, at the borrowers option, an escrow account for tax and insurance payments. Options for implementing escrow accounts are now being considered by FmHA, including the development of an escrow system in the Agency's new accounting system.

HOUSING LOAN BACKLOG AND DELINQUENCIES

Question: What is the national average for housing loan backlogs?

Answer: As of February 29, 1984, there were approximately 1,800 housing applications on hand per State.

Question: What is the national average for loan delinquencies in the rural housing program? I understand that at times in Idaho as many as 27 percent of a county's caseload of rural housing loans are delinquent, is this true nationwide? What is being done to reduce the delinquencies?

Answer: The national average single family monthly payment delinquency rate is currently 14.1 percent as of February 28, 1984. In December 1980 the delinquency rate was 23.9 percent. It should be noted that rural housing delinquency for FmHA is defined as $10 delinquent for over 15 days, a far more stringent definition than used by many other lenders. A new servicing procedure has been implemented nationwide which has been a big help in reducing delinquencies. In addition, program assessments are made in each State on a 4-year cycle to analyze program operations and recommend improvements. With continued emphasis on a balanced program of loan making and servicing, we hope to continue to reduce the delinquency rate.

Question: At one time, FmHA was building new one-bedroom homes for borrowers who did not qualify for two-bedroom homes even though the FmHA County Office had two-bedroom homes in their inventory or on the local market. It does not seem correct to me to see this practice going on. Is the FmHA still building homes in areas where there are homes in inventory or on the market which could be purchased and brought into the program?

Answer: Existing housing stock in the area and number of FmHA houses in inventory are definite factors to be considered when addressing the housing needs of applicants. It is our policy that new construction cannot be justified in areas where there are large numbers of existing homes available or where large numbers of FmHA houses are in inventory and suitable for occupancy.

Homes typically have three bedrooms and one or one and one-half baths. Two-bedroom homes are encouraged only when the market will support them and when the applicant either cannot afford or does not desire or need a three-bedroom dwelling. One-bedroom homes are not considered readily marketable and, therefore, are not financed by FmHA.

QUESTIONS SUBMITTED BY SENATOR CHILES

RURAL COMMUNITY FIRE PROTECTION GRANTS

Question: Rural Community Fire Protection Grants were authorized in 1978 to help organize, equip and train firefighting forces in rural areas. In fiscal year 1984, over $3 million was appropriated for this program. I understand that no appropriation is requested for fiscal year 1985 for this program. Why?

Answer: We are proposing to eliminate the rural community fire protection grant program because other programs are available to provide this assistance to rural communities.

Question: In many instances, rural areas are unable to get adequate fire protection. What other fire protection assistance is available to local groups to help them provide adequate fire protection?

Answer: Surplus equipment for firefighting purposes is available to rural communities from the Forest Service. In addition, loan funds are available to rural communities from the community facility loan program of the FmHA.

Question: Would you provide me details on the amount of damage caused by fires in rural areas both before and during operation of the Rural Community Fire Protection Grant Program?

Answer: According to the State Foresters, nearly $1 billion in property and improved natural resource damage occurs annually in rural areas. This amount has remained fairly stable for several years.

Question: Do you believe this program has helped rural communities provide better fire protection?

Answer: This small program has assisted rural communities to improve their fire protection capabilities. However, the elimination of this program would have minimal impact since other programs are available for assistance.

QUESTIONS SUBMITTED BY SENATOR HUMPHREY

POOLING OF SECTION 502 FUNDS

Question: We have heard that FmHA is planning to recapture and reallocate funds this week. The targeting provision has only been in effect 3 months, since December 20, 1983. Many county offices have been busy with farm loans. The building season has barely begun in many areas. Mr. Shuman, if you take away the States' allocation now, how do you expect them to achieve an increase in the very low-income loans?

Answer: The proposed March 30, 1984, pooling date has been canceled. This action gives all States additional time to make necessary adjustments so as to enable them to better serve the very low-income persons within their respective States. Pooling is now scheduled for July 20, 1984.

Question: Have you suggested any methods by which the field offices can improve the participation of very low-income applicants?

Answer: We have provided guidelines to increase the number of prospective very low-income applicants. The States and their staffs were directed to meet with local housing authorities, real estate agents, developers, nonprofit organizations for housing, media representatives and other interested parties to explain the new 40 percent requirement and enlist their help in locating potential applicants.

This effort, together with over-all cost saving measures and construction cost cuts, should enhance the level of participation.

MANUFACTURED HOUSING

Question: FmHA does not plan to implement acceptance of less expensive manufactured homes until too late in the fiscal year to help States meet targeting goals. There is a nationally recognized Housing and Urban Development code for manufactured housing. The Urban-Rural Recovery Act mandated acceptance of these homes when they meet FmHA insulation standards. FmHA doesn't expect to implement the law until October 1984. They claim that a major regulation must be drafted. The banking committee believes that a simple notice to the State Office would suffice.

Mr. Shuman, what can you do to implement the use of manufactured homes more quickly?

Answer: We are developing the regulation as expeditiously as possible. We expect to publish a proposed rule for public comment in June of this year and hope to have the final rule approved in October 1984. If we meet these target dates, the program should be operational by December 1984.

MINIMUM PROPERTY STANDARDS

Question: FmHA does not plan to accept the less restrictive and less costly HUD-FHA minimum property standards until next June. The Urban-Rural Recovery Act gave home buyers a choice of homes built to the HUD-FHA code or the national model code or the FmHA code so long as FmHA insulation requirements were met. Builders and building inspectors nationwide use these codes. FmHA staff does not have to be trained in these codes but can use local inspectors. FmHA does not have to rewrite the codes, merely accept them. What can you do to expedite the use of the less restrictive nationally accepted building codes?

Answer: We are proceeding as expeditiously as possible with developing appropriate regulations to assure that adequate code enforcement and inspection services will be available in those areas which have not legally adopted one of the codes or where inspections are not locally mandated. Actual implementation will be delayed by mandatory review processes imposed by Section 534 of the Rural Housing Amendments of 1983.

SUBCOMMITTEE RECESS

Senator COCHRAN. The subcommittee will stand in recess until next Thursday, March 29, when we will hear from representatives of the Federal Crop Insurance Corporation and the Rural Electrification Administration. That hearing will be held in this same room, SD–124, and will begin at 2 p.m..

[Whereupon, at 4:05 p.m., Tuesday, March 27, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, March 29.]

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